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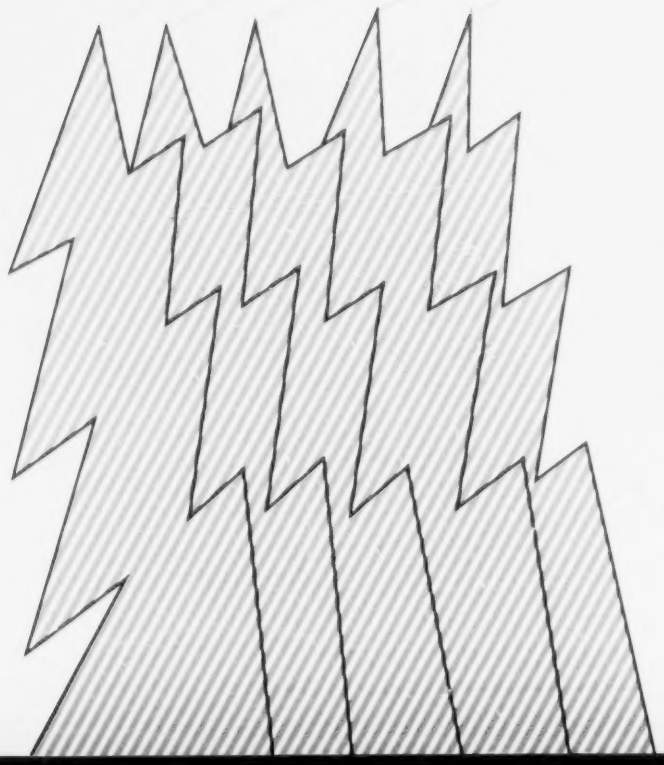
Oil Overcharge Funds and Economic Development



State and Utility Initiatives

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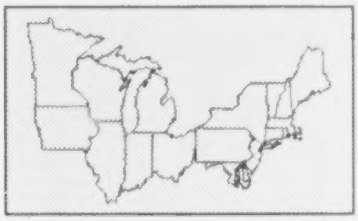

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Oil Overcharge Funds and Economic Development

State and Utility Initiatives

Charles Bartsch and Diane De Vaul
Matthew Myers

Northeast-Midwest Institute
218 D Street, S.E.
Washington, D.C. 20003

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Table of Contents

Page

1. Oil-Overcharge Funds: Financing for Economic Development Partnerships 1

2. Genesis of Oil-Overcharge Funds 3
- Key Oil-Overcharge Cases 4
- Oil-Overcharge Funds and Economic Development 5

3. State Uses of *Exxon* and *Stripper Well* Funds 9

4. Selected State Oil-Overcharge-Supported Programs 69
- New York Energy Investment Loan Program 69
- Illinois Small Business Energy Management Program 70
- Iowa Building Energy-Management Programe 71
- Wisconsin Waste-to-Energy and Recycling Grant Program 72
- California Business Energy Advocates 73
- Massachusetts Energy Advisor Service 74
- Rhode Island Energy Management Service 75
- Louisiana Seafood Processing Program 76
- Nebraska Dollar and Energy Savings Loan Program 77
- New Mexico Agricultural Energy Management Program 78
- North Carolina Energy Management Technology and Technical Assistance Program 79
- Oklahoma Energy Loan Interest Subsidy Program 80
- South Dakota Energy Conservation Low Interest Loan Program 81
- Tennessee Small Business Energy Loan Program 82
- Arkansas Broiler Research Verification Program 83

5. Utility Involvement in Economic Development 85
- Northwestern Pennsylvania Rural Electric Cooperative 86
- Osage Municipal Utility 88
- Somerset Rural Electric Cooperative 89
- Utility Partnership Programs 90

6. Planning for the Post-Settlement Years 93
- Barriers to Utility Involvement 94
- State Efforts to Promote Partnerships 94

Appendix 97

1. Oil-Overcharge Funds: Financing for Economic Development Partnerships

Since 1986, states have received over $3.3 billion from court-ordered settlements of oil-company price violations committed in the 1970s. Required to provide restitution to consumers, states have used this "oil-overcharge" money to set up or expand programs that contribute to energy efficiency in industry, small businesses, and farms. States also match money from federal energy programs for the poor.

Oil-overcharge contributions complement ongoing state, local, and private economic development efforts and have contributed greatly to the overall health of many communities. For example, a Connecticut initiative used oil-overcharge funds for capital improvements that lower energy consumption of firms in the state's enterprise zones. Ohio has a similar program targeted to small business incubators. South Dakota has used oil-overcharge resources to support its Main Street revitalization program for older downtown areas. Louisiana has helped its seafood processors by earmarking funds to pay for energy conservation measures, helping these companies to survive. Oregon puts oil-overcharge monies into a training program for operators of new technology boilers. These efforts underscore the importance of energy efficiency in stimulating business expansion and encouraging business retention by making companies more competitive.

The U.S. Department of Energy estimates that the last $600 million from oil-overcharge settlements will be distributed to states in the next five to ten years. This is new money, not yet committed to specific projects. Competition among eligible programs will be stiff. This guidebook suggests ways to improve the effectiveness of state programs by encouraging greater leverage of private resources with overcharge settlements. It also suggests ways for utilities to become active partners in the development process.

Recently utilities have shown more interest in promoting economic development, particularly in small towns and distressed rural areas. In 1988 Congress allowed rural electric cooperatives to invest in economic development activities. Legislation passed in the 101st Congress expands their role by allowing cooperatives to participate in specific small business initiatives in rural communities. Many utilities have participated in development-related activities for years, but direct involvement represents a new role for most.

Many public utility commissions encourage or require their utilities to invest in more energy-efficient plant and equipment to assure the lowest-cost energy in the years to come. These directives have taken on new urgency with the recent crisis in the Persian Gulf and the subsequent jump in fuel prices. A new generation of state initiatives could complement development efforts with oil-overcharge-funded energy-efficiency programs.

This guidebook will provide officials from diverse backgrounds with ideas for working together to promote economic development and energy efficiency. Such joint efforts will benefit all involved; they could be especially advantageous in distressed small towns and rural areas. Such partnerships are not suggested to change program priorities or introduce new programs; they are offered to expand officials' knowledge of effective programs and enhance their services.

This guidebook approaches these issues from several directions.

- Chapter 2 gives background information on the genesis of the oil-overcharge funds given to states since 1986, eligible uses of these monies, and how the states distributed those funds;

- Chapter 3 summarizes the oil-overcharge allocation process in each of the 50 states, gives program distribution amounts, and describes economic development initiatives supported with these funds;

- Chapter 4 features an in-depth examination of several innovative economic development-oriented projects financed with oil-overcharge funds;

- Chapter 5 assesses the emerging role of utilities in the economic development process; and

- Chapter 6 explores the potential and advantages of utility participation in economic development partnerships in the post-settlement years, once oil-overcharge funds are gone.

The appendix contains three tables that give the amount and use of *Exxon* and *Stripper Well* Funds. In addition, it provides state-by-state percentage shares of settlement awards for past and future overcharge distributions.

This report incorporates information collected during the first six months of 1990 and ideas that surfaced during the series of regional meetings sponsored by the Economic Development Administration (see the conference agendas in the appendix).

2. Genesis of Oil-Overcharge Funds

Following the OPEC oil embargo of 1973 and the consequent jump in prices, Congress passed the Emergency Petroleum Allocation Act (EPPA). The federal government imposed price controls on a range of products and goods, including crude oil and petroleum products beginning in August 1973. Prices were established by the Cost of Living Council as part of President Richard Nixon's program to control inflation. After the creation of the federal Department of Energy (DOE), the authority to regulate petroleum prices was given to its Economic Regulatory Administration (ERA). President Jimmy Carter began the gradual removal of all price controls on domestically produced oil, but they remained in effect, at least in part, until 1981. Total decontrol was achieved by Executive Order 12287, signed by President Ronald Reagan in January 1981.

Between 1973 and 1981, numerous domestic oil producers deliberately or inadvertently violated the controls by charging too much for crude oil or petroleum products. The Economic Regulatory Administration was responsible for:

- identifying violations of the pricing and allocation regulations;
- recovering the amounts overcharged by the violators; and
- obtaining restitution for petroleum consumers who were victimized by the overcharges.

If ERA found that an oil company charged consumers more than the allowable amount under the pricing schedule, the agency attempted to negotiate a settlement with the company. If that effort failed, ERA initiated legal proceedings against the company to resolve the alleged violation. When a settlement was reached, ERA officials made every effort to provide restitution to consumers--particularly airlines and bus companies--that could show how they had been harmed financially by the overcharges.

In situations where aggrieved parties could not be readily identified and direct restitution made to them, DOE agreed to several options for distributing funds, including payments to the states for the indirect restitution of energy consumers. Settlements in court cases typically have followed the principle "to make victims whole, so far as possible." Presiding judges frequently have granted funds to states.

The federal government filed several lawsuits against oil companies for violations of these price controls. These suits yielded cash awards, which often were conveyed to the states. The states, in turn, designed programs to use these monies to return benefits to consumers who paid higher energy costs as a result of the overcharges. The states' roles are spelled out in judicial opinions and federal laws. Essentially, states allocate funds, within specific case guidelines, to new or existing energy programs in ways that help purchasers who bore the burden of the overcharges.

In 1986, Congress passed the Petroleum Overcharge Distribution and Restitution Act as part of the Omnibus Budget Reconciliation Act. That law further clarified the state-initiated restitution process. It required states to offer restitution to all categories of customers--residential, commercial, industrial, and transportation-related. It also laid out several parameters.

- States are required to hold public hearings when developing plans to spend oil-overcharge funds.
- States must consider low-income populations when structuring their programs.
- States must notify DOE and the District Court of program designs before implementing them.

- Each governor must sign a letter of assurance stating that "the terms and conditions concerning the uses of the funds to be disbursed pursuant to the Agreement and Order will be adhered to in the use of any such funds."

Key Oil-Overcharge Cases

Two major suits produced most of the oil-overcharge funds. The first, *U.S. v. Exxon Corporation*, resulted in a federal court decision and the second, *In Re Department of Energy Stripper Well Exemption Litigation*, in a settlement agreement. Since 1986, state governments have received about $3.3 billion in funds from these two cases. Another $600 million will be collected over the next five to ten years and given to states to use in restitution programs.

Exxon

In the *Exxon* case, a federal district court ordered $2.1 billion in overcharges and interest paid to the states. The court order required each state to distribute its share of the funds through one or a combination of five federal programs:

- the State Energy Conservation Program (SECP);
- the Energy Extension Service (EES);
- the schools and hospitals weatherization program, officially known as the Institutional Conservation Program (ICP);
- the Low Income Home Energy Assistance Program (LIHEAP); and
- the Weatherization Assistance Program (WAP) for low-income families.

The court used the so-called Warner Amendment as the model for determining how funds would be distributed. The Warner Amendment was applied to federal appropriations legislation for fiscal 1983; it stipulated the terms under which $200 million in oil overcharge funds held in escrow by DOE would be returned to the states for consumer restitution. DOE based its distribution formula on each state's share of U.S. petroleum-product purchases during the period of price controls. The amendment also stipulated that oil-overcharge funds were to be used to "supplement, not supplant" existing federal and state resources.

Two of these programs, SECP and EES, allow expenditure of oil-overcharge funds to promote energy conservation in the commercial, industrial, and agricultural sectors. (Appropriate activities are described more fully below.) Virtually all economic development-oriented initiatives financed with *Exxon* monies fall under the scope of these two programs.

Stripper Well

The *Stripper Well* suit also was settled in 1986 before a District Court in Kansas. That agreement, which also encompasses all future crude oil settlements or court orders, provides the states with much greater flexibility in using the funds. In fact, the most creative economic development programs supported by oil-overcharge resources stem from this case. At the time the suit was settled, estimates put the total yield between $4 and $5 billion, about $500 million of which was earmarked for major fuel users, such as airlines and railroads. The balance of the settlement fund (except for 20 percent withheld for a public claims process) was to be split evenly between the states and the federal government.

The *Stripper Well* agreement brought within its purview funds from all subsequent oil-overcharge cases and settlements. The total amount that states eventually will collect is unknown; it could reach $2 billion.

As of mid-1990, states had received $1.24 billion. Future distributions will depend on the timing and amount of subsequent settlements. The most recent settlement, with the Texaco Corporation, was reached on August 29, 1988. Under the terms of this agreement, Texaco has agreed to pay a total of $1.25 billion over a 66-month period; the state share of this award will be about $425 million, plus interest. The first installment was paid in late 1989.

In addition to the five spending programs approved by the *Exxon* order, the *Stripper Well* settlement permits financing of the following types of activities:

- highway and bridge maintenance and repair;
- ridesharing programs;
- public transportation projects;
- residential or commercial building energy audits;
- grant or loan programs to weatherize buildings and install energy-conservation equipment;
- various energy-assistance programs;
- airport maintenance and improvements and reduction in airport user fees; and
- energy conservation or energy research offices and administration.

All state plans for spending oil-overcharge funds awarded through these two cases must undergo federal review and be approved according to procedures set up by DOE. Monies allotted to any of the five approved federal programs must be spent in accordance with current program rules. The DOE approval process for each state's spending plan may differ on occasion depending on the source of funds and the intended use. Questions of project eligibility or issues concerning disposition of funds from either case may be put to DOE's Office of Hearings and Appeals (OHA). It is also possible that other categories of restitution programs might be approved at some future date by the District Court where *Stripper Well* was settled.

In addition to the normal federal program requirements, the terms of the *Stripper Well* settlement agreement require that states submit a report to the District Court and DOE detailing proposed uses of funds at least 30 days prior to their expenditure. Another report is due at the end of the state's fiscal year describing projects funded with *Stripper Well* monies. Annual reports to the federal district court and to DOE also are required under the *Exxon* order.

Oil-Overcharge Funds and Economic Development

As indicated earlier, nearly all economic development-oriented projects receive their funding through two of the five federal programs approved for *Exxon* and *Stripper Well* funds allocation--the State Energy Conservation Program and the Energy Extension Service. Both permit spending for a broad range of activities that emphasize energy conservation in the commercial, industrial, and agricultural sectors. Both programs are administered by DOE. The regulations governing SECP may be found at 10 CFR 420 (1989); EES rules are listed at 10 CFR 465 (1989).

State Energy Conservation Program

SECP's mission is to promote energy conservation through the development and implementation of a comprehensive state energy-conservation plan and to provide technical and financial assistance in support of the plan. Much of this support is targeted to the private sector. SECP resources may be used to pay for:

- energy audits provided by the state to industrial plants, office buildings, restaurants, retail stores, warehouses, and storage facilities;
- demonstrations of commercially available conservation techniques and technologies; and
- the purchase and installation of equipment and materials for energy conservation, building retrofits, or weatherization.

Properly structured, SECP activities can have an important impact on local economic development. They may be funded through regular or revolving loans. As a result of recent revisions to the SECP regulations, the purchase and installation of retrofit or weatherization equipment and materials may be funded through loans, interest buydowns, and rebates for up to 50 percent of the cost of purchase and installation. However, such activities are limited to 33 percent of the state's total SECP funds.

Energy Extension Service

EES has two fundamental objectives: establishing an energy-outreach program directed primarily to small businesses and individual energy users; and stimulating new and supplementing existing programs that help evaluate, plan, and otherwise focus on energy-conservation efforts. Patterned after the Agricultural Extension Service, EES works primarily through outreach, education, and exchange of information. It is able to support two types of activities that may influence the economic development climate in certain areas or business districts:

- energy audits, if targeted to small companies (those with fewer than 400 employees); and
- purchase and installation of retrofit or weatherization equipment and materials as part of a demonstration of commercially available conservation techniques and technologies.

DOE, through its regional support offices, reviews state plans for compliance with SECP and EES regulations. DOE regulations permit certain activities, otherwise prohibited, if done in the context of a demonstration program. A number of the more innovative economic development initiatives were shaped to meet this "demonstration" criterion. According to DOE, its officials consider several questions when reviewing demonstration projects.

- What is the specific target audience?
- How will the target audience be informed of the demonstration? Will it be convenient to visit the demonstration?
- Has the technique been demonstrated elsewhere in the state?
- What mechanism will be used to determine if the techniques demonstrated are being accepted or implemented by the target audience?
- If the target audience decides to implement the demonstrated techniques, will the state provide additional technical assistance?

- What are the energy and cost benefits of implementing the demonstration? and

- How many demonstration projects are planned during the life of the program?

Nearly 200 different state initiatives are mentioned in the next chapter. They vary considerably according to size, method of assistance, and targeted sector; all, however, have played an important role in improving the area's development climate or the economic situation of individual companies. Many of these projects, designed to meet specific state needs, could be duplicated or adapted to other areas with similar needs. For example, SECP and EES projects have tapped *Exxon* and *Stripper Well* funds to launch a rural water-efficiency program, a commercial recycling project, a small business energy-advisory service, and a number of energy-efficiency audit programs for commercial and industrial operations. These monies have capitalized revolving loan funds and paid for interest buydowns and rate subsidies. They have underwritten the costs of workshops on the importance of energy efficiency as a part of good business management.

As noted earlier, *Stripper Well* funds may be spent for a variety of activities outside the five designated programs to which *Exxon* funds are limited. DOE has delegated review of these "other program" expenditures to its Office of State and Local Assistance Programs (OSLAP). OSLAP generally will approve those projects it deems to be within the broad guidelines of the *Stripper Well* agreement. Examples of projects approved to date include: a small business energy-conservation loan fund program (CO); loans and interest subsidies to commercial and agricultural sectors for energy-efficiency improvements (NJ); a revolving loan fund for business and industry (NC); a small business incubator grant program (PA); recommendations on energy conservation in the manufacturing process (RI); low-interest loans, grants, and interest buydowns for energy-conservation activities by small businesses or industries (WI); and a Main Street Revolving Loan Program of loans and interest buydowns to commercial businesses for energy-conservation retrofits (WY).

When reviewing a state's submission, the Office of Hearings and Appeals must determine whether the proposed project falls within the categories of projects listed in the *Stripper Well* settlement agreement. It also applies its own equitable principles requiring that, to be approved, a project or program must increase energy-conservation, energy-efficiency, or renewable-energy alternatives. OHA will not approve a project unless energy conservation is its "main thrust," more than an incidental effect of the project. In addition, energy cost reductions must be more than "minuscule when compared with the substantial cost" of the project. In one situation, OHA ruled that savings were "minuscule" where projected at $24,000 annually, considering a total project cost of $3.83 million. Projects must provide timely restitution. OHA has set a time limit of ten years from the beginning of the program to the date when all funds set aside for it must be spent.

To gain federal approval, a project also must feature an appropriate balance in the state's overall indirect-restitution plan. In one case, OHA determined that a project would disproportionately benefit a small group of injured consumers in a proposed project involving less than 1 percent of the state population that would absorb 11 percent of the state *Stripper Well* allocation.

In general, while OHA has approved proposed projects with energy-conservation implications for the private sector, it has made clear to the states that use of oil-overcharge funds solely to promote economic development is not energy-related restitution and that funds may not be used to "bailout . . . an enterprise suffering from improvident decisionmaking by its management."

3. State Uses of *Exxon* and *Stripper Well* Funds

Since March 1986, state governments have received approximately $3.3 billion in oil-overcharge funds obtained by the federal government through two major cases. More than $ 1 billion will be collected from oil companies, with about $600,000 to be distributed to the states (and the other half to the federal government) over the next five to ten years.

In response to the OPEC oil embargo, the United States imposed price controls on various products, including crude oil and petroleum products. These controls were in place from 1973 to 1981. Since then, several suits have been filed against Exxon, Amoco, Sohio, and other oil companies for overcharges during that era. Those suits yielded varying amounts of refunds which, in turn, were often provided to the states. State governments assumed the role of allocating these funds, within the specific case guidelines, to new or existing energy programs in ways that benefit (or provide restitution to) the class or classes of purchasers (such as homeowners or business operators) who bore the burden of the overcharges.

Two of the largest enforcement actions ever brought by the federal government involved the court decision in *U.S. v. Exxon Corporation* and a settlement agreement in *In Re Department of Energy Stripper Well Exemption Litigation*. On July 1, 1985, a U.S. Court of Appeals affirmed a previous decision by a U.S. District Court finding Exxon in violation of price control regulations in the operations of a major oil field. This case resulted in the distribution of $2.1 billion to the states and territories which, in turn, were to return those funds to consumers through five designated federal energy programs.

The *Stripper Well* case was settled in 1986. That agreement provides the states with much greater flexibility in using oil overcharge funds than did the *Exxon* decision, and ultimately may yield between $2 and $2.5 billion to the states. An additional $40 million was distributed to the states in mid-1986 under another settlement, *Diamond Shamrock Refining Company v. Standard Oil Company of Indiana*. The terms of that settlement are almost identical to those of *Stripper Well*.

In both cases, certain minimal public-participation requirements generally apply. All of the funds must be used to "supplement, not supplant" available resources. The *Stripper Well* settlement contains two additional agreements relevant to the states. The first requires that states spend an "equitable share" of the *Stripper Well* funds on exclusively low-income programs. In deciding how much to spend and what programs to fund, the states *must* consult with low-income representatives. Under the terms of the second agreement, Indian tribal governments are entitled to receive "an appropriate equitable share" of the benefits provided by the states.

These state narrative summaries and the tables in the appendix present the status of decision-making regarding oil-overcharge funds and examples of economic development-related projects funded with these monies. The specific commercial, industrial, and agricultural projects described may not comprise a complete list of activities but offer a representative sample of the more innovative economic development programs supported with oil-overcharge funds. Information also is provided on the process used in each state for allocating the funds.

This information was collected in telephone surveys undertaken early in 1990. It conveys the results of state decisions that determined the use of oil-overcharge funds. Terms such as *allocated*, *earmarked*, and *designated* are used interchangeably to mean the final state decisions on program or project spending. Tracking state allocations of these funds is the only way to identify the actual processes or decisions on this money, and the only practical way for economic development officials or practitioners to determine the potential for tapping these funds for project assistance.

By including final state decisions or allocations, this guide reports on activities to follow. In most states, for example, governors and/or state legislatures adopt a multiyear plan that designates a specific amount of funds to certain broadly defined programs. The responsible state agencies then choose (through the request-for-proposal process, or otherwise) and fund projects within those programs.

Alabama

Allocation Process

The Department of Economic and Community Affairs, Division of Science, Technology, and Energy in the governor's office was designated the lead agency responsible for oil-overcharge cases. Proposals are solicited and public comments received through public hearings and other channels; then the department makes expenditure proposals to the governor, who has final authority over these funds.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $36.78 million of the $37.84 million received so far: $5.51 million to LIHEAP, $6.19 million to WAP, $13.81 million to ICP, $6.44 million to SECP, $3.97 million to EES, and $850,000 to other programs.

The EES programs include a project for the efficient use of energy in agriculture, an industrial and small business energy advisory service, a strategic energy plan for industries, and an information services program that features a workshop on waste heat recovery. Alabama has funded other commercial and industrial projects with economic development effects (although specific dollar amounts are not available). They include:

- improvements to cogeneration capacity;
- electric motor and boiler-efficiency programs;
- an energy-audit program for small industrial and commercial enterprises; and
- a fuel substitution/utilization program to reduce drag in fishing vessels.

Stripper Well. The state has allocated $17.82 million of the $18.99 million it has received, leaving an unallocated balance of about $1.17 million. LIHEAP received $2.27 million and non-low-income programs received $15.55 million to help transportation and local and state government. The latter category includes $150,000 earmarked for a business trust fund.

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Alaska

Allocation Process

Allocation of oil-overcharge monies involves a three-stage process. Initially, a state consumer advisory committee, which includes members of the legislature, develops plans for unallocated resources. Its recommendations are sent to the state's Department of Community and Regional Affairs and to the legislature. The legislature must adopt final plans, which are then approved or disapproved by the governor.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all of its current funds, about $8.7 million, as follows: $6.29 million to WAP, $900,000 to ICP, and $1.49 million to SECP/EES. About $36,500 of the SECP/EES monies went to a commercial energy standard-development program and $15,000 to institutional and commercial building-maintenance workshops.

Stripper Well. The state has allocated $3.74 million of the $4.79 million it has received. Officials earmarked $380,000 for low-income programs; the bulk of the money, $3.37 million, went to non-low-income programs. More than 40 percent of total funds are going to two programs with economic development applications:

- the Commercial Energy Investment Fund program, funded at $1 million over four years, provides interest buydowns, loan guarantees, and partial payment for energy performance contracts to businesses for energy retrofits; and
- the Small Business Energy Assistance program, which has received $500,000 to finance training and technical assistance, workshops, and demonstration projects for small businesses.

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Arizona

Allocation Process

The governor proposes spending plans and a legislative appropriations committee acts on the governor's recommendations. Arizona officials do not consider a plan final until an allocation and a subsequent review are made; the only amounts shown, therefore, are those that meet both criteria.

Allocations and Economic Development Initiatives

Exxon. Arizona has allocated $18.26 million as follows: $2.7 million to LIHEAP, $4.18 million to WAP, $1.5 million to ICP, $8.95 million to SECP, $250,000 to EES, and $680,000 for other programs that primarily benefit the Navajo Indians. The state has not assigned another $3 million.

The state has provided $142,000 for four commercial and industrial projects:

- $50,000 for small business energy projects;
- $25,000 for grants that give businesses an opportunity to showcase energy-conservation technology advances;
- $37,000 for a grant to a company to develop solar, renewable and energy-conservation technology; and
- $30,000 for a solar-power water-pumping demonstration project.

Exxon resources also financed two agricultural-development initiatives. The first, an agricultural irrigation project, received $175,000. The second, a water-pumping testing and efficiency program, received $40,000 to offer direct on-farm technical assistance in water-system management practices.

Stripper Well. The state had allocated $12.65 million as of July 1989; $1.19 million remains to be earmarked. Arizona provided $1.45 million to low-income programs and $11.28 million to various other programs. Nearly $3.88 million of the latter (34 percent) went to two solar programs.

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Arkansas

Allocation Process

The Arkansas Department of Human Services and the state's Energy Office serve as a clearinghouse for requests for possible uses of oil-overcharge monies. These departments then summarize the differing proposals and submit them for review to the governor's office, which recommends certain proposals to the legislative Energy Committee for final approval. Appropriations are made biannually.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all of its principal and most of its interest, about $29.31 million so far. LIHEAP received $4.8 million; WAP received $2.5 million; ICP got $20.0 million; and SECP received $2.01 million. SECP granted $972,000 to the Small Business and Minority Business Energy Conservation Project and provided $163,501 for energy audits of industrial buildings. Oil-overcharge funds also financed five demonstration projects:

- $200,000 for a flat plate heat-exchange program;
- $96,000 for a geothermal initiative;
- $75,000 for an energy-efficiency cooling project;
- $225,000 for a free cooling project; and
- $248,000 for an irrigation demonstration project to benefit agriculture-oriented businesses.

Stripper Well. The state has allocated $14.25 million of its $15.75 million in principal. It gave $2.08 million to LIHEAP and $2.92 million to WAP. Arkansas also has earmarked $9.25 million for several non-low-income programs, all focusing on agriculture. They include: $909,000 for a poultry research project; $650,000 for five low-input sustainable agriculture demonstration efforts; $35,000 for a small vegetable farm project; and $300,000 for a small farms demonstration project emphasizing livestock, real crops, and fruits and vegetables. Two proposed demonstrations have yet to approved by the federal DOE: $150,000 for an irrigation project and $15,000 for a poultry composting (fertilizer) project.

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California

Allocation Process

The governor proposes expenditures of oil-overcharge funds as part of the annual budget submitted to the legislature. The legislature can act on the governor's suggestions or adopt its own plan through separate legislation. The governor signs or vetoes such legislation.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all principal received to date, plus most of its interest; funds total $221.84 million. LIHEAP received $66.36 million, ICP got $5.29 million, $63.33 million went SECP, $79.8 million went to SECP/EES, and $7.06 million was designated for other programs.

Significant economic development benefits came from the $14 million that supported a variety of commercial projects, such as:

- a $3 million effort run by the Department of Commerce to provide low-interest loans to small businesses to reduce their energy costs;
- a $3 million energy-efficiency improvements and education program that makes loans to small businesses and nonprofit groups for installation of energy conservation, load management, or other devices to improve energy efficiency;
- a $4 million small business energy-accounting program that offers technical training and assistance through local chambers of commerce to reduce the energy needs of small businesses; and
- a $4 million alternative technology energy project that provides small businesses with information and demonstrations on emerging energy technologies as well as help in locating financial resources for implementing energy projects.

California also used oil-overcharge monies to fund a farm energy-assistance program. This $3 million effort includes a conservation tillage and harvesting demonstration, an energy-conservation initiative, and an energy-conservation education component.

Stripper Well. The state has allocated $136.76 million, even though it has only $127.01 million on hand ($113.29 in overcharge awards, plus interest accrued to date). California officials intend to use future distributions of *Stripper Well* funds to fill the gap between amounts received and amounts allocated. LIHEAP was allotted $15.5 million, WAP received $2 million, and $119.26 million went to other programs. No *Stripper Well* funds were designated for economic development-oriented commercial, industrial, or agricultural activities.

Contact

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Colorado

Allocation Process

The allocation process began with the state making a formal request for proposals. These proposals were then evaluated by the Governor's Advisory Committee. The governor finalized the process by issuing executive orders directing the spending of funds through different programs. In September 1986, the governor issued two executive orders earmarking all remaining *Exxon* funds and *Stripper Well* monies.

Allocations and Economic Development Initiatives

Exxon. All oil-overcharge principal received to date, about $25.35 million, has been allocated. WAP received $4.71 million and SECP/EES garnered $20.63 million. The SECP/EES amount includes a $600,000 allocation to the Colorado State University Extension Service and the State Soil Conservation Board to improve energy efficiency in the agricultural sector.

Stripper Well. Colorado has allocated most of its $10.72 million, allotting $2.01 million to WAP, $1.68 million to other low-income programs, and the balance of $7.03 million to non-low-income programs. About $500,000 from this last category was set aside for the Small Business Energy Conservation Loan Fund, which aims to improve energy efficiency. The Colorado Office of Economic Development (OED) was given $100,000 to support a professional energy expert who provides energy-management services to complement the agency's business expansion and retention efforts.

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Connecticut

Allocation Process

Under state law, the governor makes recommendations for use of unallocated oil-overcharge funds every six months to the legislature's Energy and Public Utilities Committee and its Appropriations Committee, which have 60 days to review and modify the proposal. The governor's approval of the legislature's action is not required.

Allocations and Economic Development Initiatives

Exxon. The state has allocated most of the $42.26 million in principal and interest received so far. Connecticut has distributed these funds as follows: $34.87 million to LIHEAP, $1 million to ICP, $3.39 million to SECP, and $3 million to EES. SECP programs include electricity conservation planning and promotion of renewable resources. No funds were designated for the commercial, industrial, or agricultural sectors.

Stripper Well. The state has allocated $24.06 million in interest and principal. LIHEAP received $4.2 million; another $6.73 million went to other low-income programs. The remaining $13.12 million was devoted to non-low-income programs. More than 14 percent, $1.8 million, has funded three development-related projects.

- A grant program aimed at state enterprise zones and nonprofit industrial parks will provide $400,000 to finance capital-intensive improvements to reduce energy consumption and energy costs in small businesses located in targeted geographic areas.
- District heating and cooling projects will receive $400,000 to conduct feasibility studies.
- A $1 million district heating and incentive demonstration program will help implement projects identified in the feasibility study.

About $210,000 has supported the state's agriculture energy-conservation program. It was designed to reduce energy use in the agricultural sector through distribution of energy-conservation packages, group education programs, individual farm visits, and demonstration projects.

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Delaware

Allocation Process

The state Energy Office and the Department of Community Affairs are responsible for drawing up plans for state use of oil-overcharge funds. Proposed expenditures must be approved by the governor and the State Clearinghouse Committee, which is composed of eight legislators and four administrators. Appropriations are made annually.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $9.29 million, leaving a balance of $650,000 in principal, plus interest. LIHEAP received $200,000, WAP obtained $3 million, ICP received $5.83 million, SECP received $210,000, and $50,000 went to EES. To date, Delaware has designated almost no oil-overcharge resources for economic development purposes. The SECP allocation does include $1,500 for an agricultural-conservation program that provides information on no-tillage, minimum-tillage, and legume cover crops.

Stripper Well. The state has allocated $5.58 million: $1.39 million to WAP and $4.18 million to other, non-low-income programs. No funds have been used for commercial, industrial, or agricultural projects.

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District of Columbia

Allocation Process

The Energy Office draws up an initial proposal for distributing oil-overcharge funds; public hearings are held and revisions made as warranted. The final proposal is then submitted to the mayor for approval. No legislative action by the city council is necessary.

Allocations and Economic Development Initiatives

Exxon. The District has allocated its $4.67 million as follows: LIHEAP received $2.07 million, WAP received $900,000, ICP received $400,000, SECP received $1.0, and $300,000 went to EES.

Stripper Well. The District has allocated 90 percent of its $2.96 million in principal, leaving $300,000 unspent. The city gave $60,000 to LIHEAP and $800,000 to other low-income programs. Of the $1.82 million allocated to non-low-income programs, $70,000 financed a demonstration program for energy conservation in small businesses.

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Florida

Allocation Process

The Governor's Energy Office submits a list of suggested project areas for funding to the legislature. The legislature then develops the individual programs and allocates the necessary funds, subject to the governor's veto.

Allocations and Economic Development Initiatives

Exxon. From 1986 through mid-1989, Florida allocated 91 percent of its $98.11 million in principal, leaving a balance of $8.48 million; the state also has more than $29 million in interest to spend. ICP received $61.7 million through this period, WAP received $230,000, SECP programs received $23 million, and EES received $4.1 million.

Florida has devoted more than $6.7 million to finance several commercial, industrial, and agricultural development initiatives. The SECP allocation includes $3 million for a business energy loan program that helps finance conservation measures. Actual loan approval and servicing is done by private financial institutions. The state also provided $100,000 to fund a task force to assess the need for a commercial loan interest-buydown program and make recommendations. The allocation includes the start-up cost of any program the task force recommends.

Grants for other commercial programs include:

- $350,000 to support a building-design assistance center at the Florida Solar Energy Center through its Commercial Design/Technical Assistance Program;
- $498,000 for a small business outreach program that gives energy information and technical assistance to owners and operators of small companies;
- $421,000 to a statewide hotel/motel program that provides such enterprises with cost-saving energy information and technical assistance;
- $170,000 for a heat pipe demonstration project;
- $50,000 for a trawling efficiency-devices demonstration project for the state's considerable maritime industry; and
- $54,000 to Florida State University for a study of commercial energy needs and priorities.

Florida also has invested in two industrial development programs. The state offered $650,000 to finance a solar user network. The state also put $200,000 into an industrial technology program that designs and implements tailored demonstration projects to show how old equipment can be used more efficiently.

The state has put more than $1.25 million in *Exxon* funds into agricultural development programs. Grants include:

- $626,000 for an agricultural extension service project that provides energy information, workshops, training, and the services of an agricultural engineering energy specialist;
- $442,000 for an agricultural energy-conservation program to develop an outreach organization covering various topics affecting farmers;

- $158,000 to an energy-saving no-till demonstration project; and

- $29,000 to a low-energy rangeland grazing demonstration.

Stripper Well. Funds received through October 1989 total $57.2 million. Allocations made to date total $41.45 million, leaving a balance of $15.75 million. This remaining principal plus interest, about $24.95 million, remains unallocated and available for a variety of uses, including activities that support economic development. Grants made so far include $20.25 million for WAP, $19 million for a state solid waste management program, and $2.2 million for traffic signals.

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Georgia

Allocation Process

The Office of Energy Resources is responsible for developing plans from which the governor makes final allocations; no legislative approval is required.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all principal to date and most of its interest, about $54.84 million, as follows: $21 million to LIHEAP, $13.94 million to WAP, $16 million to ICP, $1.5 million to SECP, and $2.4 million to EES. All interest earned on these funds is automatically allocated to WAP.

Proceeds have financed four important initiatives that support economic development:

- $600,000 for industrial and commercial energy audits and workshops;
- $200,000 for a cogeneration and wood energy program that features energy audits and workshops for industrial and commercial facilities to determine the feasibility of converting to wood and/or a cogeneration system;
- $100,000 for energy audits of small commercial businesses and local government facilities; and
- $250,000 to continue and expand energy-conservation programs conducted by the University of Georgia's Extension Service, including irrigation-efficiency demonstrations and a greenhouse-conservation program.

Stripper Well. Georgia has allocated $28.88 million. To date, LIHEAP has received $4.71 million, $4.53 million went to low-income programs, and $15.48 million went to other programs. A recent $4.16 million grant will support specific activities recommended during upcoming public hearings.

More than $1.4 million has been earmarked for various agricultural, commercial, and industrial development programs. Agricultural programs include:

- the Energy Conservation in Agriculture-No-Till System program ($668,976);
- the Energy Conservation in Agriculture program ($221,265) that gives technical assistance and audits to farmers;
- the Energy Conservation for Dairy Farmers program ($30,000);
- the Energy Efficiency Broiler Production demonstration for farmers ($78,735); and
- energy conservation for agricultural processes ($25,000).

Georgia has financed several commercial and industrial activities. This includes $150,000 allocated to its Biomass Technical Assistance and Interest Buy-Down Program, which helps firms in several industrial sectors by evaluating their potential for installing biomass burning equipment to replace fossil fuel systems. The state has given $60,000 to the Small Commercial Workshops program. It provides limited energy audits, technical assistance, workshops, and publications to small commercial establishments and facilities of local governments and nonprofit organizations.

The Trawling Efficiency Devices program received $155,000 to purchase and distribute these devices to reduce fuel use. The state also allocated $50,000 to industrial programs under EES to continue a program that provides technical assistance (including plant visits, follow-up reports, and limited consultation) to industrial facilities. Another $9,500 went to make kilns more energy efficient.

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Hawaii

Allocation Process

The Energy Division of the Department of Planning and Economic Development, in conjunction with other state agencies, develops appropriate programs. No legislative consent is required.

Allocations and Economic Development Initiatives

Exxon. All principal received so far and some interest, about $14.5 million, was allocated as follows: $4 million to WAP, $4.25 million to ICP, $4.62 million to SECP, and $1.63 million to EES.

SECP grants include $500,000 for the Industrial Energy Conservation Demonstration Program, which serves as a clearinghouse of technical information for the commercial and industrial sectors. Another grant of $605,000 promotes conservation measures and provides technical information to industry and businesses. Hawaii has designated $25,000 through EES for agricultural energy-conservation projects.

Stripper Well. The state has allocated only 23 percent of the $8.5 million it has received (not including interest). The entire $1.97 million earmarked so far has gone to non-low-income programs--primarily alternative energy demonstrations. No funds have yet been designated for economic development-related projects in the commercial, industrial, or agricultural sectors.

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Idaho

Allocation Process

The governor appointed a task force to determine how funds would be spent. After the public sessions (one for *Exxon* and three for *Stripper Well*), the task force made its recommendations. No legislative approval is required because the governor has sole authority over these funds.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all funds received to date, plus interest, for a total of $8.95 million. WAP received $3.28 million, ICP received $1.8 million, and SECP received $3.87 million.

Idaho has used these monies to establish loan funds that could have important economic development effects. SECP grants include $3.1 million to capitalize the Low-Interest Conservation Loans program, which helps all sectors of the local economy (such as commercial establishments, residential areas, schools, and the like) with demonstrations of alternative financing of energy conservation. To date, the program has made $700,000 in agricultural loans and $710,000 in commercial and industrial loans. Another $200,000 went to an irrigation pump testing program.

Stripper Well. The state has allocated $5.08 million so far: $310,000 to WAP, $160,000 to other low-income uses, and $4.61 million to non-low-income programs. Under the state's allocation plan, funds received after July 1988 are distributed automatically as follows:

- 45 percent to a revolving loan fund (described below);
- 25 percent to WAP;
- 10 percent for pedestrian and bicycle paths throughout the state;
- 10 percent for mass transit activities;
- 5 percent for traffic synchronization projects; and
- 5 percent for administrative costs.

The state initially allocated $2.49 million (over five years) to a revolving loan fund that provides low-interest loans for a variety of industrial, commercial, residential, and governmental projects. Program proceeds are used to finance energy-conservation and renewable-resource projects. To date, the fund has loaned $140,000 for agricultural development projects and $327,288 for commercial and industrial endeavors. The state also has put $125,000 into the Bioenergy Demonstration Program, which involves methods of recovering and using bioenergy sources (agricultural and timber wastes, by-products, and forest and crop residues).

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Illinois

Allocation Process

For *Exxon* funds, the governor and the Department of Energy and Natural Resources, with advice gathered at public hearings, devised spending proposals. Such proposals must be passed by the legislature and signed by the governor. While no additional hearings were conducted for the *Stripper Well* funds, information received during the *Exxon* hearings were considered. The state legislature appropriates funds annually.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all $115 million in principal and interest received to date: $40 million to LIHEAP, $62.55 million to WAP, and $12.45 million to SECP. The SECP allocation included $5 million for the state's Small Business Energy Management Program that offers interest subsidies to small businesses taking out conventional loans for energy improvements. It also provides small business owners with training and technical assistance, free energy audits, and a toll-free information hot line.

Stripper Well. Illinois has allocated 89 percent of its $56.84 million in principal, more than $50.5 million. About $11.5 million went to LIHEAP and $39.04 million went to other programs, including $7 million earmarked for the Rural Energy Program. This program is one of the largest oil-overcharge-funded initiatives to focus on commercial enterprises. It provides grants to small business owners, nonprofit social agencies, and homeowners receiving service from rural electric cooperatives; grants are used for weatherization and energy retrofits. The state also allocated $400,000 to the Sustainable Agriculture and Energy Efficient Irrigation Program, which gives grants for demonstrations, research, and retrofit installations of irrigation systems.

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Indiana

Allocation Process

Agency representatives from the five state programs that received *Exxon* money, plus the governor and the budget director, devised the state's plans. No legislative approval or public hearings were required.

Allocations and Economic Development Initiatives

Exxon. All of the state's $54.08 million in principal received thus far, plus interest, has been allocated: $20.9 million to LIHEAP, $13.7 million to WAP, $400,000 to ICP, and $8.81 million to SECP. Nearly all monies given to EES--$10 million of the $10.27 million allocation--were used to fund a demonstration program to implement measures identified in a state energy report. It offers alternatives for financing and providing technical information to small businesses, agricultural producers, and the industrial and commercial sectors.

Stripper Well. The state has allocated 74 percent of the $30.48 million it has received thus far--nearly $22.65 million. LIHEAP received $2.28 million and other low-income programs received $3.16 million. Non-low-income programs received $17.20 million. Two energy-conservation programs promoting agricultural development received funding:

- an initiative to reduce energy use by altering energy-intensive row cropping and adjusting fertilizer application rates through tractor-mounted soil sensors ($150,000); and
- a project to lower consumption of petroleum-based fuels ($250,000).

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Iowa

Allocation Process

The legislature adopts spending plans for *Stripper Well* funds. For *Exxon* allocations, the governor appointed a five-member committee that drew up spending plans for the legislature to consider and approve.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $23.6 million including $3.9 million for fiscal 1989-1990. WAP received $7.6 million, SECP received $10 million, and EES received $6 million. No funds were set aside for development-related initiatives to benefit the commercial, industrial, or agricultural sectors.

Stripper Well. The legislature's 1989-1990 spending plan allocated $4.85 million to a variety of programs, bringing total *Stripper Well* spending to $15.4 million in principal and interest. Low-income programs received $350,000; nearly 98 percent of the funds--$15.05 million--were allocated to non-low-income programs. More than one-quarter of this allocation went to two agricultural development and improvement initiatives.

About $3.3 million supported groundwater programs authorized by Iowa's Groundwater Protection legislation. It mandates an assortment of programs dealing with energy-related issues that contribute to groundwater-pollution problems and their solutions. The second effort, a model farms program, received $600,000 to study ways to reduce energy inputs in agricultural production. State officials examined strategies such as ridge tillage and no-tillage techniques, fewer chemical and fertilizer inputs, and organic farming methods.

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Kansas

Allocation Process

After public hearings, the Kansas Corporation Commission draws up plans for the allocation of oil-overcharge monies. The governor reviews these proposals and makes budget recommendations to the legislature. It allocated $6.84 million in 1987. In January 1988, the governor recommended a five-year spending plan (fiscal 1989-1993) for these funds. The legislature, however, approves plans one year at a time. The governor has proposed spending $12.5 million in fiscal 1991. The House has approved the proposal; it awaits state Senate action.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $24.57 million as follows: $14.92 to LIHEAP, $1.29 million to WAP, $4.83 million to ICP, $3.38 million to SECP, and $150,000 to EES. The EES allocation pays for a program providing energy information and technical assistance to commercial, industrial, institutional, and residential energy users.

Stripper Well. The state has allocated $9.05 million as follows: $2.4 million to LIHEAP, $730,000 to WAP, $170,000 to other low-income programs, and $5.75 million to other programs. These resources have financed two agricultural improvement initiatives:

- an irrigation pumping-efficiency project ($170,000); and
- a biological weed-control program ($80,000).

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Kentucky

Allocation Process

In 1986, the state legislature created an oil-overcharge trust fund in which all such funds were deposited. The legislation earmarked all interest earned from this trust fund for low-income weatherization. The principal was to be maintained in a permanent trust. The U.S. Department of Energy, however, declared that the trust fund was not a permissible way of spending the *Stripper Well* or *Diamond Shamrock* funds. DOE's decision was based primarily on the indefinite status of the trust fund, but it also disapproved of the distribution of all benefits to low-income households. Kentucky sought an opinion by the *Exxon* court on whether the trust fund was a permissible use for these monies. The court indicated it would not approve an indefinite trust fund as a permissible use or an exception to the acceptable *Exxon* uses.

In February 1988, the legislature amended its original law to authorize spending oil-overcharge funds over the next eight to ten years. DOE has approved this amended plan.

Allocations and Economic Development Initiatives

Kentucky has a complex allocation process. Appropriations from *Exxon* and *Stripper Well* funds, including principal and interest earned, total $17.83 million to date. Nearly 69 percent, some $12.24 million, is slated for spending over the next two state fiscal years (1989 and 1990). All of the interest earned in 1988 ($2.1 million) will go to low-income programs or related efforts, such as studies. The combined principal from both awards is earmarked as follows: $500,000 or 8 percent of the annual appropriations, whichever is greater, will be used for ICP (all from *Stripper Well* and/or *Diamond Shamrock*), with the balance split 60 percent for LIHEAP and 40 percent for WAP. The 60 percent share for LIHEAP is to be funded from *Stripper Well*, *Exxon*, and other oil overcharge funds, while WAP's 40 percent share is all from *Exxon*.

Exxon. The state has allocated only 42 percent of these monies--$11.57 million of its $27.44 million in principal. Another $15.87 million remains to be spent. LIHEAP was allotted $6.97 million and WAP $4.6 million. No specific economic development activities have been financed.

Stripper Well. Kentucky has spent $4.78 million to date, including $1.1 million in earned interest. So far, $3.18 million has been channeled to LIHEAP, $580,000 to low-income programs, and $1 million to other programs. No commercial, industrial, or agricultural development projects have received support. The state has received $15.86 million in principal, leaving an unallocated balance of $11.08 million--nearly 70 percent of available monies.

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Louisiana

Allocation Process

The Department of Natural Resources (DNR) makes recommendations to the legislature as part of the budgetary process. The legislature adopts allocation plans that are signed by the governor. For the original *Exxon* and *Stripper Well* allocations, DNR presented proposals to a Joint Legislative Committee on Federal Oil Overcharge for comments and review.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $54.43 million in principal and interest to date; an unobligated balance of $11.27 million (more than 17 percent of the total) remains. Funds were apportioned as follows: $11.54 million to WAP, $30 million to ICP, $7.49 million to SECP, and $5.41 million to EES.

Oil-overcharge funds have financed several important programs that support state economic development initiatives. They include:

- the Commercial Energy Conservation program, which provides information to industry and commerce on how microcomputers can help reduce energy consumption ($30,000);
- a boiler efficiency-improvement workshop, which will train plant managers, owners, engineers, and boiler operators on techniques to reduce energy use ($50,000);
- the Small Business Air Conditioning and Refrigeration Education program to help owners and operators choose the most appropriate and cost-effective cooling units for their operations ($303,985); and
- a sludge/wastewater recycling-education program, which provides industry, farmers, and municipalities with information and technical support for recycling sludge and wastewater, and for lowering energy costs ($146,415).

Louisiana has established two programs to benefit the seafood industry: the Aquaculture Producers Energy Education program ($161,208), which provides information and demonstrations on minimizing energy use to the state's crawfish, catfish, and redfish industries; and the Energy Conservation in Seafood Processing Program ($240,785), which targets food processors.

State agricultural development efforts also have benefitted from oil-overcharge fund outlays. Grants include:

- $89,066 for the Energy Conservation in Rice Irrigation program for rice farmers, equipment dealers, and water well drillers;
- $73,302 for a Post-Harvest Horticulture Cooling program to educate growers in energy-saving methods of cooling produce;
- $70,420 for cotton ginning energy education to train and encourage cotton growers to minimize their energy use (and thus cut their production costs); and
- $93,500 to finance education and demonstration projects for energy efficiency in the greenhouse industry.

Stripper Well. The state has allocated $28.31 million of its $29.44 million in principal. Low-income programs received $5.78 million. The remaining $22.53 million went to other programs, including bridge and road repair efforts that helped improve the economic development climate of several local areas. No other funds were specifically designated for commercial, industrial, or agricultural development projects.

Contact

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Maine

Allocation Process

The governor makes spending recommendations through the state planning office, which sends proposals to the appropriations committee of the legislature. Once spending plans are approved by the full legislature, they are sent to the governor for signature.

Allocations and Economic Development Initiatives

Exxon. In 1986, the legislature passed and the governor signed a plan allocating all *Exxon* funds received (and some interest), about $16.5 million: $200,000 for LIHEAP, $7.6 million for WAP, $1.26 million for ICP, $6.44 million for SECP, and $1 million for EES.

The SECP allocation includes nearly $3.07 million for two programs with potentially significant economic development benefits:

- $2.45 million to subsidize low-interest loans to industrial and commercial enterprises and nonprofit institutions for energy-conservation expenditures; and
- $268,000 for a small business weatherization and furnace-modernization demonstration program.

Stripper Well. The state has allocated $7.83 million, 86 percent of its resources to date, leaving an unallocated principal balance of $1.27 million. LIHEAP received $1.6 million and other low-income programs received $1.07 million. Included in the $5.16 million allocated to other programs is a $350,000 grant to the Energy Extension Service to pay for lighting rebates and more energy-efficient lighting for small business establishments, homes, and facilities used by other organizations.

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Maryland

Allocation Process

The state adopted legislation in 1984 establishing a trust fund to govern the use of all oil-overcharge monies. The trust fund statute, which was amended in 1986, gives low-income weatherization the highest priority. Proposals are sent to the Energy Advisory Committee composed of the governor and the governor's budget and energy advisors. Recommendations and proposals are submitted to the legislature for approval.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all of the $43.02 million received to date as follows: $5.4 million to LIHEAP, $31.9 million to WAP, $3 million to ICP, $1.76 million to SECP, and $960,000 to EES. Included in this distribution is $50,000 for the University of Maryland to provide farmers with technical assistance and information on electrical use. This program, expected to serve 200 to 250 farms, will promote correct electrical rate schedules, advantageous shedding demand changes, and use of load-management techniques.

Stripper Well. A recent allocation of $4.83 million brings state spending to $23.67 million: $11.02 million to LIHEAP, $4.49 million to WAP, $670,000 to other low-income programs, and $7.49 million for non-low-income programs. Grants in this last category include $770,000 for four projects designed to boost industry and economic competitiveness:

- audits and technical assistance to small-scale industry;
- industrial building audits;
- training and technical assistance to building-equipment operators; and
- commuter/traffic improvement assistance in the areas surrounding Baltimore-Washington International Airport.

Contact

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Massachusetts

Allocation Process

The Division of Energy Resources recommends expenditure of these funds to the governor, who has final authority; no legislative agreement is required.

Allocations and Economic Development Initiatives

Exxon. Massachusetts has allocated all $78.5 million received to date. Of this total, $43 million went to WAP and $15 million to LIHEAP. SECP received $20.5 million, some $920,000 of which went to the Energy Advisory Service. This is the state's only economic development-oriented program supported with oil-overcharge funds. Through this program, private-sector engineers are recruited to identify energy-conservation opportunities for industrial operations.

Stripper Well. The state has allocated 78 percent of the $42.36 million in principal it has received, leaving a balance of $9.36 million. Of the total, $6.2 million went to LIHEAP, $10 million went to other low-income programs, and $16.8 million to non-low-income programs (including several loan programs for residential, nonprofit, and multifamily building energy improvement). No funds have yet been specifically targeted to commercial, industrial, or agricultural projects.

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Michigan

Allocation Process

The governor sends a spending proposal to the legislature. Once the legislature adopts a plan, the governor must approve it.

Allocations and Economic Development Initiatives

Exxon. Of the $80.06 million allocated so far, LIHEAP received $47.59 million, WAP received $12.99 million, and SECP received $19.31 million. Michigan has one of the nation's largest agricultural development programs created with oil-overcharge monies. The state put $12.3 million through SECP into the Agricultural Energy Program that helps farmers in six areas:

- conservation-tillage techniques;
- irrigation techniques, including irrigation-process audits;
- pest management;
- fertilization management;
- forestry activities, including energy-related audits of small logging operations, forest-product manufacturers, and truckers; and
- livestock facility and waste usage.

This program also supports several soil-conservation measures. It uses SECP funds to pay trained technical assistance agents and funds a $2 million direct grant program for farmers.

Stripper Well. Michigan has allocated $45.3 million: $17.6 million to LIHEAP, $6.6 million to WAP, and $21.1 million to SECP. The SECP amount includes $5 million earmarked for the Agriculture Energy Program.

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Minnesota

Allocation Process

The allocation process for *Exxon* and *Stripper Well* differ substantially. For *Exxon* funds, the governor appointed a task force of 27 individuals, all of whom were familiar with the approved federal programs. The task force held meetings and recommended 11 programs and funding levels for each. The Legislative Commission on Energy held its own hearings and agreed on the same programs, but recommended different amounts. The governor eventually decided these issues; while agreeing to fund the same 11 programs, his funding proposals for each differed from those of the task force and the legislative commission.

Initially, the governor wanted to allocate all *Stripper Well* funds to the University of Minnesota or dedicate them to energy projects at the Supercomputer Institute. The legislature, however, gave funds to WAP as well as the governor's preferred programs. As part of that compromise, jurisdiction over the balance of the funds and future monies was delegated solely to the Legislative Commission on Minnesota Resources.

Allocations and Economic Development Initiatives

Exxon. The state has allocated its entire $36.45 million received to date as follows: $5.5 million to LIHEAP, $15.5 million to WAP, $11.95 million to ICP, and $3.5 million to SECP/EES projects. About $500,000 of the EES monies finances a program providing energy audits to agriculture-based businesses.

Stripper Well. Of the $23.38 million in principal and interest available so far, $8.3 million went to WAP. The balance of $15.08 million was channeled to other programs. Oil-overcharge monies finance three agricultural development initiatives:

- $2 million to the Agricultural Utilization Research Institute for agriculture-related energy projects;
- $336,000 to the University of Minnesota for research on energy-efficient farming methods; and
- $45,000 to a grain-drying demonstration program.

These resources also go to community and economic development purposes. The Minneapolis energy office received $272,900 to promote energy efficiency in small business establishments and multifamily housing complexes. One-third of this allocation--$91,000--is specifically targeted to help small businesses.

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Mississippi

Allocation Process

The Energy and Transportation Division of the Department of Economic and Community Development prepares proposals for SECP, EES, ICP, and *Stripper Well* projects, while the Department of Human Services' Division of Community Services makes proposals for LIHEAP and WAP. The governor makes final spending decisions.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $32.15 million as follows: $2.41 million to LIHEAP, $7.7 million to WAP, $11.02 million to ICP, $10.15 million to SECP, and $870,000 to EES. Interest earned on these funds stays with the program originally receiving them.

Mississippi has allocated $2.6 million for a program of technical assistance and technology applications to industry, commercial businesses, local governments, and state agencies. Projects include:

- conducting energy audits;
- recommending cost-saving techniques to reduce energy consumption in business facilities;
- doing energy analyses;
- mapping oyster reefs; and
- establishing a fishing-fleet advisory committee.

This program also has provided $1.3 million to commercial businesses and local governments for energy planning to increase economic development. *Exxon* monies also help small farmers save fuel with more effective ways to apply seed, fertilizer, and spray.

Stripper Well. The state has allocated $12.32 million of its $16.9 million (not including interest): $1.07 million to LIHEAP and $30,000 to WAP. A portion of the $10.11 million designated to other programs was targeted to agricultural development initiatives. Some went to the Catfish, Soil, Greenhouse and Wood project to finance soil conservation, a low-tillage farming demonstration, greenhouse-technology improvements, design and fuel reduction, and enhanced energy efficiency in the catfish-farming industry. A grant of $14,900 provides technical assistance and capital for a small revolving loan fund program to help small farmers.

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Missouri

Allocation Process

The allocation process varies for each source of funds. The Energy Division of the Department of Natural Resources was the lead agency for devising the initial spending plan for *Exxon* monies. In February 1986, a Citizen's Advisory Council was appointed; it held three public hearings and made recommendations to the legislature and the governor. The legislature adopted allocation legislation, which the governor signed. State offices make requests to the governor for *Stripper Well* funds through the annual budget process.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $49.81 million so far: $6.7 million to LIHEAP, $16.86 million for WAP, $11.74 million to ICP, $12.72 million to SECP, and $500,000 for EES. About $121,454 remains to be spent.

Missouri has used these resources to finance a variety of economic development-related activities. Industrial and commercial projects include:

- $96,360 for off-peak heating and cooling storage for commercial supplies;
- $105,139 to help cover costs of a load-management system effort;
- $32,500 for industrial audit grants; and
- $31,627 for industrial workshop grants.

Grants for agricultural initiatives include: $150,000 for an ethanol-awareness education campaign; $94,764 to promote agricultural and rural energy conservation; $64,4334 for an irrigation project; $56,250 for the Demonstration of Energy Recovery in Dairy Systems program; $54,830 for a water quality/energy project; $42,344 for tractor testing; $37,038 for a well-slippage project; and $3,550 for a farm-energy computer-software training program.

Stripper Well. Missouri has allocated $20.18 million: $2.08 million to LIHEAP and $2.86 million to WAP; $15.24 million went to other programs, including loans to local governments and schools, capital improvements for universities, and a recovery feasibility study. While these efforts may yield economic or community development benefits, no funds to date have been allotted for specific commercial, industrial, or agricultural development projects.

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Montana

Allocation Process

State agencies submitted proposals to the governor's Office of Budget and Program Planning (OBPP), which set up a committee of state and local government officials to review the proposals. The committee provided information to OBPP, but the final recommendations were made by the governor's office.

The governor's proposals were submitted to the 1987 and 1989 legislatures. After making some adjustments, the legislature appropriated the *Exxon*, *Stripper Well*, and other oil-overcharge funds, plus the accrued interest. Funds appropriated in 1987 were spent between July 1, 1987 and June 30, 1989; the 1989 allocations will be spent between July 1, 1989 and June 30, 1991.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all funds received to date, plus interest, about $10.55 million: $4.87 million to WAP, $900,000 to ICP, $2.9 million to SECP, and $230,000 to EES. The remaining $1.65 million was put into a "reserve account" to be used for LIHEAP and/or WAP, as needed.

Montana has made a significant commitment to finance economic development activities, putting nearly 22 percent of its *Exxon* funds into these efforts. The state allotted $238,562 in SECP resources to supplement ongoing activities for commercial, agricultural, institutional, and residential consumers. It performs energy audits of commercial buildings, provides technical assistance through the Training in Energy Efficiency for Construction program, and conducts irrigation systems workshops for farmers. The state also targeted $500,000 for demonstration projects under the Grants for Energy Efficiency in Agriculture program, including:

- solar power to water livestock;
- soil-moisture monitoring,
- benefits of legume/cereal crop rotation; and
- conservation tillage.

Another $2.1 million in SECP monies went to a transloading facility demonstration to benefit agricultural and commercial consumers.

Stripper Well. The state has allocated all of its principal and interest, about $6.88 million; WAP received $900,000, other low-income programs received $1.5 million, and other programs received $4.83 million. The latter category includes the Biological Weed Control Program ($290,000) to demonstrate energy-efficient weed-control programs on rangeland and cropland. Another $300,000 went to supplement *Exxon* funding for the transloading facility demonstration discussed above.

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Nebraska

Allocation Process

Under legislation passed in 1988, the governor proposes expenditures for both *Exxon* and *Stripper Well* funds and submits them to the legislature prior to disbursement of the funds. The legislature can hold a hearing on the governor's proposals within 30 days of receiving them. The legislature then has another 15 days to make recommendations to the governor for changes in the proposed expenditures.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all funds received to date plus interest, about $20.15 million: $3.68 million for WAP, $13.23 for SECP, and $1.72 million for EES. Another $1.52 million went to a reserve fund for later distribution.

Nebraska has established several innovative economic and community development programs financed with oil overcharge monies. About $1.1 million in SECP monies capitalized five revolving loan programs for weatherization of commercial buildings in four designated cities. Specific loan terms differ in each city, with interest rates ranging from 0 to 3.6 percent. Another $57,234 went to the Small Business Energy Planning program, which conducts workshops for small business owners and business-development professionals on the importance of energy efficiency in business management. A major SECP initiative (not yet approved by DOE) would provide $10.0 million for a local conservation financing demonstration program to make loans to small business enterprises, farm and ranch operations, residences, and local government facilities.

The $1.72 million EES allocation included $327,000 for several agricultural industry development programs:

- $13,000 for a demonstration project that shows the efficiency of a double-skinned, plastic-roofed greenhouse;
- $40,000 for a strip and relay crops demonstration that shows the energy savings potential of alternating crop types in a field from year to year;
- $40,000 for a crop rotation program that shows ways of increasing nitrogen in soil;
- $47,575 for a solar livestock watering project that uses photovoltaic-powered fencing and water pumps; and
- $189,659 for the development of a greenhouse-management program that uses computerized energy and temperature controls to optimize energy use and increases production.

Stripper Well. The state has allocated $8.42 million; WAP received $1.52 million. Other non-low-income programs--including solar and biotechnology research, transportation, local government services, and state building activities--received $7.55 million. Some of these efforts may have state or local development effects, although no *Stripper Well* funds have been specifically earmarked for commercial, industrial, or agricultural projects. Another $3.2 million will go into a reserve fund (together with the $1.52 million in *Exxon* funds) for later distribution.

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Nevada

Allocation Process

The governor's Office of Community Services receives public comments and suggests a budget for spending these funds, which is discussed with the state budget director. If the governor approves the budget it is sent to the legislature, which must act on the governor's recommended spending plan.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $13.15 million as follows: $6.63 million to LIHEAP, $3.71 million to WAP, $220,000 to ICP, $630,000 to SECP, $1.64 million to EES, and $270,000 to SECP/EES projects.

EES has put $49,203 into several programs that complement economic development efforts, including commercial business-conservation programs, energy-efficient building seminars, and mining-efficiency workshops. Other EES grants that support commercial endeavors include:

- $5,000 to provide commercial businesses with energy-related technical assistance services;
- $30,000 to provide energy-management education to the proprietors of commercial establishments; and
- $72,000 to fund energy-conservation projects on farms.

Stripper Well. The state has channeled $1.05 million to LIHEAP, $400,000 to WAP, $180,000 for other low-income uses, and $4.75 million for other programs--about $6.88 million in principal and interest to date. No funds have been targeted specifically to commercial, industrial, or agricultural projects.

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New Hampshire

Allocation Process

Funding allocations must be approved by the legislature as well as the governor and an executive council. Prior to July 1987, though, the legislature did not play a role in the process; allocation plans needed the approval of the governor and an executive council only.

Allocations and Economic Development Initiatives

Exxon. The state has distributed all $11.43 million in principal and interest received so far as follows: LIHEAP received $350,000, WAP received $1.57 million, ICP received $50,000, SECP got $5.16 million, and EES got $3.85 million. The EES allocation funded two commercial and industrial grant programs:

- $750,000 for appropriate technology grants for innovation in energy conservation; and
- $550,000 for improvement of energy efficiency in fleet operation and maintenance.

Stripper Well. The state has dispersed $4.45 million in principal and interest; about $1.3 million remains. WAP received $980,000 and other low-income programs received $440,000. About $3.03 million went to various local and state government programs, weatherization, and renewable energy programs. No funds have gone as yet to commercial, industrial, or agricultural activities.

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New Jersey

Allocation Process

The governor makes spending proposals and the legislature acts, either on the governor's recommendations or on its own plans. The governor retains veto authority.

Allocations and Economic Development Initiatives

The legislature recently appropriated $40 million: $20 million for LIHEAP, $10 million for WAP, and $10 million for activities targeted to senior citizens and the handicapped. However, it has not decided which fund to tap for these monies.

Exxon. The state has allocated 89 percent of the $75.43 million received, leaving about $8 million unallocated. LIHEAP received $43.5 million to be spent equally over three years (fiscal 1988-1990); while ICP was allocated $20 million. All $4 million in SECP monies are going to finance a residential loan-subsidy program that gives interest-rate reductions for energy-related housing rehabilitation loans. No funds have been designated specifically for commercial, industrial, or agricultural projects.

Stripper Well. New Jersey has earmarked 83 percent of the $45.68 million it has received, leaving over $7 million unallocated. The entire $38 million went to non-low-income programs. The state has established two significant business-assistance programs with these funds. They are:

- a business energy-improvement loan and interest-subsidy program, funded at $5 million, to promote energy improvements in the commercial and agricultural sectors; and

- a business energy-improvement grant program to promote conservation measures in commercial enterprises up to $1.15 million and agricultural projects up to $850,000.

New Jersey also targeted $3 million for a program to underwrite energy-conservation measures in agriculture.

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New Mexico

Allocation Process

The state's Department of Energy, Minerals, and Natural Resources prepares plans to allocate oil-overcharge funds.

Allocations and Economic Development Initiatives

Exxon. New Mexico has allocated the $16.59 million in principal and interest received thus far as follows: LIHEAP received $3.09 million, WAP received $6.96 million, ICP received $2.22 million, and SECP received $3.43 million. EES received $890,000, of which $420,000 went to irrigation and geothermal projects to improve the state's agricultural productivity.

Stripper Well. The state has allocated $10 million as follows: $100,000 to WAP, $839,000 to a low-income Native American set-aside program, and $9.06 million to other programs including recycling, weatherization of schools, and state and local government activities. No funds were set aside for specific commercial, industrial, or agricultural projects.

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New York

Allocation Process

The state's energy office drafts spending proposals. The legislature adopts spending plans, which the governor must approve. Funds are released annually through the state budget process.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $203.23 million as follows: $21.5 million for LIHEAP, $45.5 million for WAP, $77.34 million for SECP, $40.3 million for ICP, and $18.55 million for EES.

New York has devoted a considerable amount of its *Exxon* resources to projects that support business and economic development. They include:

- the Energy Investment Loan Program;
- loans for multifamily housing projects;
- a program of technical assistance to industry and small business;
- the Transportation Energy Conservation Program;
- the Construction Code and Appliance Efficiency Program; and
- the Agricultural Energy Conservation Program.

The Energy Investment Loan Program used $12 million in oil overcharge monies to finance commercial and industrial projects. The program offers interest subsidies on loans of up to $500,000 made by private lenders for energy-conservation improvements. The subsidy is targeted to companies with fewer than 500 employees or sales less than $10 million per year. Another $3 million in program funds was earmarked to help agribusiness operations implement energy improvements. These funds, provided as part of the overall allocation to the Agricultural Energy Conservation Program (described below), will eventually support 40 loans.

A related program encourages energy-related improvements to multifamily housing complexes. Interest-subsidies are provided to reduce the interest rate to 5 percent.

New York designated $16.6 million for its Technical Assistance to Industry and Small Business program, which has three components.

- The Energy Advisory Service to Industry (EASI) project helps small and medium-sized industrial and commercial facilities identify and implement energy conservation through no-cost on-site surveys of their facilities and provides technical assistance to those operations.
- The Technical Feasibility Study Program studies and reports on energy-conservation measures identified by EASI.
- The Small Business Energy Efficiency Program provides free on-site energy surveys, training, and technical assistance to small businesses, nonprofit organizations, farms, and agribusiness operations.

The state's Transportation Energy Conservation program received $3 million. This initiative provides direct assistance to companies, employers, and regional organizations to establish local transportation programs. The state also spent $2.63 million for a Construction Code and Appliance Efficiency program.

In addition to the loan-subsidy funds mentioned above, the Agricultural Energy Conservation Program received $2 million to support agribusiness elements of the Energy Advisory Service to Industry. Service representatives will conduct approximately 585 free on-site surveys of agribusiness operations and 65 shared-cost technical feasibility studies to identify potential savings linked to energy use. The grant also covers the costs of 2,000 surveys carried out under the Small Business Energy Efficiency Program. These surveys are conducted on-site by trained energy technicians who recommend no-cost and cost-effective capital improvements to make refrigeration, waste heat exchangers, poultry operations, and the like more energy efficient.

Stripper Well. New York has allocated $110.17 million in principal and interest: $15.9 million to WAP, $7.62 million to other low-income programs, and $86.65 million to non-low-income programs. About $4 million of the last category went to the Energy Investment Loan Program (noted above) to complement *Exxon* funds. The *Stripper Well* portion, however, is used to guarantee private loans rather than reduce their carrying cost through interest subsidies. Another $300,000 paid for a business energy-efficiency demonstration project.

New York has used $19.5 million of its *Stripper Well* funds--nearly 18 percent--for commercial and industrial development initiatives. They include:

- $500,000 for a waste-oil management and rescue program that gives dollar-for-dollar matching grants to private companies, universities, municipalities, and other organizations to conduct feasibility studies on specific applications of oil reuse;
- $9 million to the Institute on Superconductivity for applied research on technology transfer and demonstration projects on energy-producing and energy-conserving technologies;
- $5 million to the New York Solid Waste Combustion Institute to conduct research and development using solid waste for energy;
- $3.5 million to the Energy Conservation Services Program to increase manufacturing industry's use of waste material and improve water-treatment processes in agribusiness; and
- $1.5 millon to the Alternative Energy Development Program that gives 50 percent matching grants to industrial, commercial, and other facilities for feasibility studies of alternative energy.

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North Carolina

Allocation Process

The governor makes spending recommendations to the legislature as part of the budget process. Two legislative committees initially review the proposed expenditures. The legislature then approves the allocations.

Allocations and Economic Development Initiatives

Exxon. North Carolina has allocated 82 percent of its $47.03 million as follows: $9.64 million to LIHEAP, $10.60 million to WAP, $7.5 million to ICP, and $7.5 million to SECP/EES. Another $8.69 million remains unallocated.

The state has funded 16 different programs to enhance commercial and industrial development. They include a lighting rebate program; the Cost-Effective Control Strategies for Manufacturing program to promote computerized control systems; an Energy Management Technology/Technical Assistance Program; an energy-conservation workshop for the furniture industry; education and training of service technicians through oil/gas HVAC service workshops; several aquaculture energy programs; and several programs to increase energy conservation in the food industry. Specific amounts disbursed to each are not available.

Agricultural programs include a post-harvest cooling and storage program that funds three demonstration projects and an educational project, and the Irrigation Scheduling Project under which the state pays for audits of irrigation systems. These programs are designed to encourage cost-cutting energy conservation practices.

Stripper Well. North Carolina has allocated $26.97 million in principal and interest: $20.6 million for low-income purposes and $6.37 million for other programs. The latter includes $2.5 million to capitalize a revolving loan fund for business and industry--one of the largest programs of this kind supported with oil-overcharge funds.

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North Dakota

Allocation Process

In 1986, the Office of Intergovernmental Assistance (OIA) solicited comments from the public and from state government agencies on spending oil-overcharge funds. Based on these comments and its own estimate of state funding needs after anticipated federal budget cuts, OIA drew up recommendations. It then held a public hearing on these recommendations, made some modifications, and submitted a proposal to the governor. After the governor approved the recommendations, they were submitted to the House and Senate Appropriations Committees for final approval. OIA does an annual review of the previous year's plan and makes necessary recommendations for changes or additions, including expenditures of new funds. The governor approves these recommendations and the biennial legislature gives OIA spending authority.

Allocations and Economic Development Initiatives

Exxon. All of the state's $9.37 million in principal and interest received and expected through June 1991 were designated as follows: $2.8 million to LIHEAP, $1.07 million to WAP, $2.7 million to ICP, $130,000 to EES, and $1.5 million to SECP.

Nearly 77 percent of the SECP project grants were channeled to two major economic development-oriented projects:

- $606,000 for a commercial program to educate farmers on energy efficiency and promote commercial recycling; and
- $542,000 for an industrial lignite boiler control and automation demonstration project.

In addition, $12,000 in *Exxon* funds financed a coal-fired grain-drying demonstration project.

Stripper Well. The state has allocated $4.65 million as follows: $950,000 to LIHEAP and $3.7 million to other projects. The latter apportionment includes a $500,000 grant to the Small Business Energy Conservation Program, designed to promote energy cost savings in commercial operations.

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Ohio

Allocation Process

The state's *Exxon* and *Stripper Well* spending levels are contained in a multiyear plan for fiscal 1986 to fiscal 1991. Until recently, however, the legislature also had to appropriate funds annually, so not all allocations were reported. The requirement for annual appropriations was dropped recently, so the full multiyear plan is now final.

Allocations and Economic Development Initiatives

Exxon. Ohio's $98.5 million was allocated as follows: $14.6 million to LIHEAP, $67.5 million to WAP, and $6.5 million to ICP. The remaining $9.9 million went to SECP/EES projects. So far, the state has earmarked only a small amount of its *Exxon* resources--less than 1 percent--for economic development. In the largest development-related effort, $500,000 in SECP/EES monies supported a small business lighting rebate program. Another $12,332 was targeted to the Sustainable Agricultural Program that allows Ohio State University to promote this type of farming technique.

Stripper Well. The state has allocated $48.3 million in principal and interest. LIHEAP received $3.4 million, WAP received $2.1 million, and other low-income programs received $22.1 million. The remaining $20.7 million went to non-low-income programs. These include transportation-system improvement initiatives and programs to weatherize the homes of low and moderate-income persons. No other funds have been targeted specifically to commercial, industrial, or agricultural projects.

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Oklahoma

Allocation Process

In 1985, a task force composed of state agency representatives involved with energy-conservation programs received about 150 proposals for the oil-overcharge monies. In September 1986, a public hearing was held to solicit additional comments. The task force presented recommendations to the governor, who has sole authority over these funds. In November 1986 the governor announced plans to allocate $40 million in oil overcharge refunds. In January 1987, a new governor took office and put those allocations on hold. On August 20, 1987, the new governor announced about $20 million in allocations. Since that time, unsolicited proposals have been evaluated and more allocations of *Exxon* and *Stripper Well* monies have been made.

Allocations and Economic Development Initiatives

Exxon. Oklahoma has allocated all of its principal and most of its interest, about $31.83 million, as follows: $7.4 million to LIHEAP, $6.49 million to WAP, $4.0 million to ICP, $9.15 million to SECP, and $2.05 million to EES. The state has earmarked another $3.1 million to SECP/EES for future development-related projects for small businesses and agricultural operations. Oklahoma has devoted fully one-third of its *Exxon* monies to economic development purposes.

The state has allocated more than $5.2 million to five commercial and industrial-development initiatives:

- $3.0 million for two separate programs that provide interest subsidies on loans to small commercial businesses and industrial facilities used to pay for energy-conservation measures;
- $1.96 million for various small business demonstration projects that focus on energy savings that result in reduced business operating costs;
- $110,000 for a business and commerce energy program that provides energy-conservation information and audits; and
- $161,903 to pay for a boiler tune-up and recommendation program that provides free boiler analysis and suggests improvement options to companies and public institutions.

Oklahoma has used oil-overcharge money to underwrite three agricultural projects. The largest, at $1.2 million, is a technology transfer effort to bring energy-conservation information to state farm operations. Nearly $159,000 finances an energy-efficient irrigation-techniques demonstration project. Another $1 million will cover the cost of a wheat elevator and conservation-tillage demonstration project.

Stripper Well. The state has allocated $16.55 million in principal and interest: $600,000 to LIHEAP, $520,000 to WAP, and $3.69 million to other low-income programs. The remaining $10.94 was allocated to other programs--nearly 13 percent to four initiatives designed to spur industrial development. State officials used $200,000 to launch a seed capital program that makes loans to businesses for research and development of energy-conserving products. About $93,000 was earmarked for the research and development of the Holland Oil Well Pumping System; another $9,700 went to Tubesonics International to develop a more efficient drilling-rig inspection system.

In one of the nation's most creative uses of oil-overcharge funds, Oklahoma granted $186,000 directly to the city of Stigler to pay for installation of energy-conservation features in an existing building that will house a garment manufacturer. A pending proposal would provide $225,000 for a minority small business energy-assistance program.

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Oregon

Allocation Process

The governor's office initiates proposals that are sent to the legislature for its action. During the 1989 legislative session (the most recent), legislators held hearings to review the status of oil-overcharge funds. They ultimately approved the allocation of $1.9 million in *Exxon* and $3.5 million in *Stripper Well* funds.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all funds received thus far, $23.87 million; LIHEAP received $3.18 million, WAP received $13.61 million, SECP received $5.33 million, EES received $30,000, and combined SECP/EES projects received $1.7 million. The only development-related activity was a business-industry clearinghouse, to which state officials allotted $323,849 in SECP funds. This clearinghouse responds to inquiries and provides information on various energy-related issues confronting state companies.

Stripper Well. Oregon has allocated $14.83 million in principal and interest to date; this includes $2.23 million to WAP and $2.83 million to other low-income programs. Non-low-income programs received $9.77 million to fund a variety of projects, including grants to two noteworthy training programs:

- $124,000 to train commercial building operators on the efficient operation of oil and gas boilers; and
- $113,800 to teach them the most energy-efficient ways of operating lighting and other building equipment.

Oregon also has set aside between $20,000 to $50,000 to offer industrial services and business-technology information to enhance the state's commercial and industrial sectors. Industrial services provided under this program include energy audits, industrial engineering, market research, pollution control, transport-rate analysis, civil engineering, and similar services that could increase energy efficiency and expand business activity. The business technology effort collects and disseminates reports from experts such as architects and engineers dealing with energy-oriented technical matters.

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Pennsylvania

Allocation Process

The state created a trust fund for all oil-overcharge monies. The authorizing legislation requires that 75 percent of these monies go to low-income energy-conservation and assistance programs--usually WAP and LIHEAP.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all principal received thus far, plus some interest, for a total of $108 million. More than 90 percent went to the two primary low-income programs: $66.1 million for LIHEAP and $31.3 million for WAP. SECP/EES received $8.6 million; that amount funded a $5 million municipal solid waste program and a locally operated $2 million energy center program. The balance of $1.6 million went for a series of smaller projects. No funds were designated for development-oriented activities targeted to the commercial, industrial, or agricultural sectors.

Stripper Well. The state has designated $60.5 million in principal and interest as follows: $34.0 million to LIHEAP, $10.91 million to WAP, and $100,000 to other low-income programs. The remaining $15.49 million was allocated to non-low-income programs, nearly $2.8 million for nine commercial and industrial initiatives with economic development potential. They include:

- $315,000 for a small business-incubator grant program;
- $180,000 for a small business-development grant program;
- $250,000 for a lighting-demonstration project;
- $100,000 for an intermittent-use buildings energy-efficiency project;
- $300,000 for exploration and adaptation of recycling technology pertinent to specific types of industry and commercial businesses.

The remaining programs focus on technical assistance. They include an "energy in the environment" program ($300,000), support for the Pennsylvania Energy Center Program ($1.3 million), a boiler and steam system workshop ($63,000), and a wastewater-treatment facilities energy-efficiency study ($63,000). In addition, *Stripper Well* resources financed a $135,000 apartment building energy-efficiency program and $250,000 in agricultural energy-efficiency grants.

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Rhode Island

Allocation Process

The governor has sole authority for adopting spending plans for oil-overcharge funds.

Allocations and Economic Development Initiatives

Exxon. In 1986, the governor allocated all currently available funds over a three-year period. The total in principal and interest was $9.54 million, distributed as follows: $850,000 to LIHEAP, $1.34 million to WAP, $1.98 million to ICP, $4.55 million to SECP, and $820,000 to EES.

Nearly 24 percent of all *Exxon* funds were designated for six commercial and industrial assistance programs. SECP grants include $500,000 to a conservation loan program for small industrial businesses and $500,000 to a similar loan fund for small commercial enterprises and nonprofit organizations. Funds from both loan programs are used to pay points on loans that finance energy-conservation measures. Other SECP grants provided $350,000 for technical assistance and audits for industrial facilities and $300,000 for a variety of commercial and industrial demonstration projects.

Development-oriented EES grants include:

- $205,000 for feasibility studies that evaluate renewable energy alternatives, suggest engineering options, and provide economic analysis of industrial parks and other projects that could result in ancillary commercial development; and

- $150,000 for a water-conservation project targeted to commercial and industrial users.

Stripper Well. The governor has allocated $4.47 million thus far: $3.5 million to LIHEAP, $140,000 to WAP, and $830,000 to other programs. Nearly half of the other programs money went to two efforts that could enhance local economic development prospects. An emergency-management service that provides energy analyses and recommendations on energy conservation in the manufacturing process received a $250,000 grant. This initiative could help reduce energy costs and improve the cash-flow position of older Rhode Island industrial firms. Another $175,000 was set aside for energy-related economic feasibility studies. A balance of $440,000 remains unallocated.

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South Carolina

Allocation Process

In the past two years, the state has invited the public to submit spending proposals to be considered on a competitive basis. The governor must approve these suggestions, which are then sent to the Joint Legislative Energy Committee. If the energy committee concurs on a proposal, it is forwarded to the Joint Legislative Appropriations Review Committee, which makes the appropriation.

Allocations and Economic Development Initiatives

Exxon. Through fiscal 1989, the governor's office recommended spending $29.3 million in principal and interest to establish a four-year "base budget" for the five *Exxon* energy-conservation programs. Under this plan LIHEAP receives about 19 percent of these funds and WAP about 21 percent. Allocations made to date are $7.5 million to LIHEAP, $8.6 million to WAP, $4.3 million to ICP, $4.5 million to SECP, and $4.4 million to EES.

South Carolina has funded a few economic development-related programs, mostly targeted to agriculture and related businesses. They include a demonstration roof-cooling system project, an agricultural energy-consumption pattern assessment, and energy audits in agribusiness operations. Specific funding figures are not available, however.

Reflecting public input, the state has drawn up a comprehensive proposal for apportioning the remaining oil-overcharge funds. It proposes about 50 projects using *Exxon*, *Stripper Well*, and other oil-overcharge funds. The *Exxon* portion would be about $5.7 million. As indicated above, the proposal must be approved by the two different legislative committees. The Joint Energy Committee has considered about half the proposed projects.

Stripper Well. The state has allocated 72 percent of the $14.75 million in principal received to date, about $10.6 million. These monies were divided among recipients in five broad categories: 30 percent for individual consumers ($3.18 million), 25 percent for public institutions ($2.65 million), 25 percent for the business community ($2.65 million), 10 percent for transportation initiatives ($1.06 million), and 10 percent for the agricultural sector ($1.06 million).

These monies could help many projects with local economic development outcomes, although few decisions are final and little information is currently available. Programs to enhance the state's farm economy are the most advanced at this time. They include:

- $488,058 for a drip-trickle irrigation and no-till drilling project;
- $205,000 for a demonstration of conservation tillage techniques;
- $49,850 to provide energy audits of greenhouses and farms;
- $52,560 to finance energy-use assessments for farmers with irrigation systems;
- $86,250 to encourage energy conservation for farm tractors; and
- $52,000 to encourage fruit and vegetable producers to adopt energy conservation measures.

These funds were first made available in June 1989, and spend-out continues. As indicated above, the proposal for allocating remaining oil-overcharge funds, including $4.16 million in *Stripper Well* monies, is pending before the energy committee.

Contact

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South Dakota

Allocation Process

The Office of Energy Policy reviews proposals and makes recommendations to the governor. Proposals approved by the governor are forwarded to the Appropriations Committee of the state legislature, with a request for spending authority for the projects defined.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all principal and most interest received thus far, about $9.17 million as follows: LIHEAP received $1.56 million, ICP received $1.0 million, SECP received $5.74 million, and EES received $410,000.

More than one-fifth of the SECP and EES allocations went to programs with considerable economic development potential. The two largest are:

- a $1.0 million energy-conservation loan program targeted to businesses making energy-related improvements; and
- a $217,000 grant to support the state's Main Street program that provides technical assistance to owners of old, often historic commercial buildings.

The latter initiative is one of the most innovative uses of oil-overcharge funds yet devised in any state. It complements South Dakota's successful Main Street program, which has brought economic growth and private investment to several small towns by encouraging renovation and reuse of older structures. Main Street has stimulated new business start-ups as well as retention of existing operations.

Several small grants supported other development-related efforts: $23,267 to a blower-door technical assistance program for commercial and residential properties, and $34,635 to the state's Infra-Red Energy Audit program that offers audits to businesses, state and local agencies, and nonprofits.

Stripper Well. South Dakota has allocated $4.05 million in principal and interest. Low-income programs received $120,000. Of the $3.93 million allocated to other programs, $10,000 went to a living snow fence program that gives landowners cash incentives to plant shelterbelts along county and township roads. No other agricultural, commercial, or industrial endeavors have yet been funded.

Contact

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Tennessee

Allocation Process

The governor selects projects and sends proposals to the legislature, where they are considered by the House and Senate Energy Committees. If the governor's proposed expenditures are adopted, they become part of a broader appropriations bill.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all principal and interest received thus far, a total of $35.5 million, as follows: $3.5 million to LIHEAP, $18.0 million to WAP, $10.0 million to ICP, and $4.0 million to SECP. All SECP funds were reserved for a rural energy and water-conservation program targeted to commercial and industrial operations.

Stripper Well. The state has distributed 97 percent of its $20.02 million in principal; LIHEAP received $2.0 million and other low-income programs received $2.0 million. Of the $15.5 million allocated to other programs, $5.0 million--nearly one-third--was used to capitalize a revolving loan program to help small businesses finance energy retrofits to their facilities. Specific uses for remaining *Stripper Well* funds have not yet been decided.

Contact

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Texas

Allocation Process

In 1987, the legislature gave the governor discretionary power to spend all oil-overcharge funds. It attached a rider to the legislation, however, which set forth its specific intent on how the funds should be spent. Programs created in 1987 were funded for four years, beginning in fiscal 1988. The legislation called for the appointment of a two-member review committee composed of the lieutenant governor and the speaker of the House to review and approve the governor's proposals before they become final. In 1989, the legislature reauthorized the existing programs and created others, funding them for two years. A rider attached to the implementing legislation stipulates funding levels for 35 programs.

Allocations and Economic Development Initiatives

Exxon. The state has allocated 97 percent of the $198.73 million in principal and interest available so far, leaving $6.18 million undesignated. Texas allocated $16.05 million to LIHEAP, $10.75 million to WAP, $12.00 million to ICP, $11.01 million to EES, and $142.74 million to SECP. SECP monies have funded three important economic development initiatives:

- a $5.0 million grant went to an agricultural energy-conservation program to finance various projects, with awards made competitively;
- $4.5 million went to the state's Alternate Energy Program that helps pay for demonstration projects involving new energy technologies;
- the Small Business Program was granted $500,000 for various development-related activities; and
- $500,000 was set aside for industrial programs providing training and technical advice to operators of industrial facilities, as well as financing pertinent demonstration projects.

Two demonstration programs begun thus far include an evaporative roof cooling project and a shrimp net project. The state also uses SECP money to underwrite an annual industrial technology transfer conference.

Stripper Well. To date, Texas has allocated $117.9 million in principal and interest as follows: $7.0 million to LIHEAP, $20.05 million to low-income programs, and $90.88 million to other programs. The last category includes $2.0 million to underwrite a program that offers loans to small businesses involved in commercializing new energy technology.

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Utah

Allocation Process

The state's Energy Office submits spending proposals to an Energy Advisory Council, whose members are appointed by the governor. The Council makes recommendations on the proposals the governor, who has final approval authority over the spending plan.

Allocations and Economic Development Initiatives

Exxon. The state will distribute $15.45 million through fiscal 1991; about $65,000 in interest remains unallocated. To date, WAP received $7.0 million, ICP received $2.35 million, SECP received $5.5 million, and EES received $450,000. More than 37 percent of the SECP allocation--$2.05 million--was earmarked for an agricultural-conservation program that provides farmers with energy-efficiency audits. Such programs can strengthen the cash position of farm operations.

Stripper Well. Utah has designated two-thirds ($5.78 million) of the $8.70 million in principal and interest obtained so far. Low-income programs received $50,000, and other programs received $5.73 million. The latter category included a $100,000 grant to fund an agriculture-oriented program under which the state conducts photovoltaic research to help farm operations become more energy efficient.

Contact

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Vermont

Allocation Process

The governor sends spending proposals to the legislature, which must approve them and appropriate the funds.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all principal received to date and most of its interest, totaling $5.72 million: LIHEAP received $360,000, WAP received $3.06 million, and SECP received $2.30 million. The SECP allocation includes a $400,000 grant for an agricultural energy-conservation program designed to help farmers lower operating expenses by reducing energy costs.

Stripper Well. The state has allocated $3.46 million, an amount that includes all monies received thus far and those anticipated in fiscal 1991. Low-income programs received $3.05 million; $410,000 was allocated to residential, transportation, educational, and governmental energy-conservation activities. No funds have yet been designated for specific commercial, industrial, or agricultural projects.

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Virginia

Allocation Process

As part of the biennial budget process, the governor sends a proposed spending plan to the General Assembly for action. If the legislature is not in session, the proposals are reviewed by the chair of the appropriate committee.

Allocations and Economic Development Initiatives

Exxon. The state has allocated $57.16 million received thus far as follows: $22.69 million to LIHEAP, $22.5 million to WAP, $4.1 million to ICP, $7.04 million to SECP, and $830,000 to EES. The state plans to use some SECP monies for energy efficiency and conservation efforts targeted to industrial operations, but specific programs and amounts have not been finalized.

Stripper Well. With a recent allocation of $7.71 million, Virginia has committed 92 percent of the $31.76 million obtained from this settlement. The state has provided $20.97 million to low-income programs and $8.31 million to non-low-income programs. The latter allocation includes $200,000 to cover the costs of a study examining energy-efficiency options for the coal industry, a key part of the economic base in many rural Virginia communities. About $2.6 million plus interest remains to be disbursed.

Contact

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Washington

Allocation Process

The Power Washington Committee, whose members are appointed by the governor, receives public comment through hearings, surveys, and public forums and makes decisions on allocations. No legislative approval is required.

Allocations and Economic Development Initiatives

Exxon. Washington has allocated all $31.79 million in principal obtained thus far and $6.22 million in interest as follows: $16.13 million to WAP, $1.4 million to LIHEAP, $6.3 million to ICP, $12.37 million to SECP, $820,000 to EES, and $90,000 to combined SECP/EES programs. Two small SECP grants support development-related activities. One for $16,117 helped fund a Farmer's Energy Alliance that works directly with local farm operators to determine the greatest needs in energy-efficiency assistance (i.e. tuning up tractors, providing irrigation support and information); another $25,000 went to the state's Rebound Program (described below).

Stripper Well. The state has designated $16.55 million of its $18.9 million: $1.03 million to LIHEAP, $1.8 million to WAP, $1.58 million to low-income programs, and $11.66 million to other programs. A balance of $2.35 million plus interest remains unallocated.

These funds have generated economic development activity. Washington officials have distributed more than $1.8 million to three programs.

- The Farmers Energy Alliance received another $333,883 to support energy-efficiency initiatives designed to improve the economic position of state agricultural operations.
- An agricultural rail program received $750,000 to provide shippers and rail freight service operators with short-term, low-interest loans to ensure that small lines keep operating.
- The Rebound Program was awarded $743,603 for targeted financial assistance to specific areas for various energy-efficiency-related projects to make local companies more competitive economically.

Contact

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West Virginia

Allocation Process

The governor appointed an advisory committee to make recommendations on various proposals. The governor has final authority over these funds; no legislative action is required.

Allocations and Economic Development Initiatives

Exxon. The state has allocated all of its principal and most of its interest, about $15.45 million, as follows: LIHEAP received $7.15 million, WAP received $5.4 million, ICP received $60,000, SECP received $2.88 million, and EES received $270,000.

About 12 percent of all SECP monies fund four initiatives that support economic development activities in West Virginia:

- $225,000 to devise energy-saving options for the state's important glass industry to adopt to lower energy consumption, a major factor in production costs;
- $65,000 to similar efforts to help other industries and commercial operations reduce energy costs and improve their cash positions;
- $30,000 for energy audits of state companies; and
- $25,000 for a poultry industry energy-conservation demonstration program, which will study heat-recovery installations in broiler houses.

Stripper Well. The state has distributed 80 percent of the monies received thus far: $5.69 million to non-low-income projects and $250,000 to low-income programs. A balance of $1.46 million plus interest remains to be allocated.

An EES grant of $125,000 funded programs to improve energy efficiency in orchard management and in state poultry operations. Proposals to tap another $250,000 to fund additional commercial and industrial initiatives are currently under consideration by the governor's office.

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Wisconsin

Allocation Process

The governor makes spending proposals to the legislature's Joint Committee on Finance. Once proposals are submitted, the standing Energy Committees of each house have 30 days to make their own spending recommendations to the Finance Committee, which can approve or modify the governor's proposals. Once a plan is adopted, it is sent back to the governor, who approves it or vetoes it. If the governor vetoes all or part of the plan, the Finance Committee can override the veto; the plan then becomes final. The legislature also can initiate spending proposals, which it has done through the biennial budget process.

Allocations and Economic Development Initiatives

Exxon. The state has allocated 73 percent of the $36.97 million received so far to two categories only. LIHEAP received $2.48 million and WAP received $24.5 million. The current balance of $9.99 million plus nterest remains in an escrow account for future appropriation. To date, none of these monies has supported economic development-oriented commercial, industrial, or agricultural projects.

Stripper Well. The state has designated $22.89 million, $3.17 million of which went to low-income programs. The remaining $19.72 million went to other programs. More than 35 percent of the latter distribution was earmarked for three development-related initiatives:

- $3.0 million to help finance energy-conservation projects undertaken by small enterprises with low-interest loans, grants, and interest buydowns;
- $606,100 to cover costs of energy efficient waste-recycling projects; and
- $2.5 million for a sustainable agriculture program that shows the feasibility of using and maintaining local, renewable resources.

Another $868,697 provides rebates to farm families participating in a Fuel Saving Furnaces for Farmers program that encourages rural residents to replace old furnaces with high-efficiency units. A low-income component of this program received another $240,000.

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Wyoming

Allocation Process

The governor has sole responsibility for allocating all oil-overcharge funds. Public hearings are held and the state's Economic Development and Stabilization Board, which requests proposals and informally discusses options with legislative representatives, makes recommendations to the governor.

Allocations and Economic Development Initiatives

Exxon. The state has distributed $10.25 million in principal and interest obtained thus far. WAP received $3.25 million and ICP received $2.0 million. Almost half of all *Exxon* monies, $5.0 million, were allocated to SECP to pay for a coal-efficiency demonstration project that seeks to enhance the BTU value of the state's coal.

Stripper Well. The state has allocated $4.12 million of the $5.05 million garnered to date: LIHEAP received $1.1 million, other low-income programs received $260,000, and non-low-income programs received $2.76 million.

Two awards made from funds in the last category have the potential to bring important economic development benefits to the state. The first was an $840,000 grant to the Main Street Revolving Loan Program, which complements an ongoing program to bolster small town business districts. Eight communities were chosen to participate in this program, in which they work with a local financial institution to provide low-interest loans to commercial businesses for energy-conservation retrofits. *Stripper Well* funds provide half the funds borrowed; they are lent at a rate that will buy down a conventional companion loan by at least three interest points. The private lender services the loan and is permitted to charge a 1 percent origination fee. The maximum loan term is ten years.

Another $500,000 went to the University of Wyoming to fund an applied energy technology and development program. Grants are issued on a competitive basis to tenured faculty members to pursue near-term commercialization of new technologies and to reduce fossil fuel consumption by individuals, businesses, industry, and government.

The state used $400,000 of *Stripper Well* monies to underwrite various agricultural energy-conservation programs. They include:

- a living snow-fence program in which trees are planted in shelter belts to protect soil from wind erosion;
- an initiative to encourage transfer of newly developed agricultural technologies;
- minimum-tillage demonstration projects; and
- a program to develop more efficient irrigation pumps.

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4. Selected State Oil-Overcharge-Supported Programs

Economic development, with its job-creation and retention benefits, is a top priority for most governors and community leaders--and the driving public policy issue in many states. In recent years, states have made great strides in crafting effective economic development programs, broadening their scope and increasing their sophistication. Many states are placing more emphasis on retaining existing companies and helping them modernize and expand. They are serving as the focal point for rallying all available resources to encourage diversification and growth.

States are searching for new participants in the economic development process, and tapping financial support and technical assistance not traditionally associated with economic development programs. Oil-overcharge funds are proving to be one such resource. They complement on-going state, local, and private initiatives and contribute greatly to a community's economic vitality. State oil-overcharge programs for economic development are innovative and diverse. The following 15 examples demonstrate the variety of successful uses of these funds in promoting industrial, commercial, and agricultural activities.

New York Energy Investment Loan Program

Objective

The Energy Investment Loan Program (EILP) helps businesses and multifamily housing structures by providing financial incentives for energy-conservation improvements.

Funding

$27 million--*Exxon* settlement

Program

EILP provides financial help to businesses and housing complexes that cannot afford to install energy-conservation measures because of the large initial investment needed. Through leveraging of bank funds and incentives to private lenders, businesses may take out loans large enough to complete the improvements at a subsidized, affordable interest rate.

The program allows interest subsidies on loans of $500,000 or less made by private lenders for energy-conservation improvements. A special provision allows loans of up to $1 million to be subsidized for on-site power-production projects.

Eligibility. Interest writedowns are made by EILP provided the borrowers meet the lender's credit standards and fall within one of these categories:

- employ 500 or less;
- have annual sales of less than $10 million;
- be defined as agribusiness; or
- own a multifamily housing complex.

Program officials set the initial interest rate at 5 percent in 1988. However, due to changing market conditions, they raised the rate to 6 percent in 1989. For loans with terms of five years or less, the interest rate is 6 percent. Loans of five to ten years received 8.5 percent interest rates.

Requirements. Applicants must submit completed forms, an energy audit, and estimates of the cost of energy-conservation improvements to be undertaken. Applications are reviewed by the Energy Office. Energy audits must be performed or sponsored by one of the following:

- Energy Office through the Energy Advisory Service to Industry and the Small Business Energy Efficiency Program;
- other governmental agencies approved by the Energy Office;
- utilities; or
- licensed architects or engineers.

Improvements, alterations, or repairs of a building or its equipment that result in proven energy savings are eligible for EILP help. The payback period for project loans is one to ten years. Multifamily housing improvements have a payback period of up to 15 years. The program provides interest subsidies for the term of the loan, up to ten years maximum. Loan guarantees are available on up to 75 percent of the outstanding loan principal. They are distributed on a first-come, first-served basis throughout the state. However, the Energy Office will reallocate guarantee authority if it believes a particular geographic region or building sector is over-represented.

Results. Program officials have processed 171 applications from the business sector. Eighty-six businesses have received $3 million in loan subsidies. They used these monies to leverage additional funding of $13.3 million in total project investment. The program has used $10 million in subsidies to generate 315 multifamily housing projects valued at $26 million. Sixty-eight financial institutions representing banks of all sizes participate in the loan-subsidy program.

Energy savings of $5.5 million are expected annually from the projects supported by the initial investment of $10.6 million in EILP subsidy funds. Total savings from energy investments are expected to exceed the original outlay substantially due to their long-term nature.

Illinois Small Business Energy Management Program

Objective

The Energy Management Program helps small businesses reduce energy waste in order to improve competitiveness and profitability.

Funding

$5 million--*Exxon* settlement

Program

The Department of Commerce and Community Affairs (DCCA) and the Department of Energy and Natural Resources are working together to provide technical and financial assistance to small business owners. The technical assistance wing of the Energy Management Program is operated by DCCA. Efficiency experts from its Small Business Assistance Bureau provide interested businesses with free, on-site, walk-through energy audits. They recommend conservation measures such as low-cost and no-cost ways to reduce energy costs from 5 to 25 percent annually. The average audit is completed in one to two hours.

More than 3,500 small businesses in Illinois have taken advantage of this service The Small Business Energy Management Program has provided audits since 1983. It set up the Energy Conservation Interest Writedown Grant Program as a separate component to provide small businesses with financial help. The program will prepay up to 100 percent of the interest costs on a conventional small business loan approved by an Illinois lending institution.

Loan Eligibility. Loans must be designated for energy-conservation projects carried out in existing structures. The maximum amount of interest subsidized by the program is $20,000. The individual businesses pay any remaining interest. New construction does not qualify for loans. To qualify for an interest writedown, a business must complete an application and certify that it does the following:

- operates a for-profit, nonfarm commercial or industrial small business;
- has a net worth less than $6 million and average after-tax profits of less than $2 million in the last two years;
- does not operate in a home, residential or apartment building;
- provides DCCA with copies of all energy bills for the 24 months following the completion of the energy-conservation project;
- certifies that the project applied for is a retrofit or replacement of an existing structure and/or its equipment;
- completes the project within six months of approval; and
- agrees to allow DCCA or its representatives to inspect the facilities and improvements at any time before, during, or after a project is approved and to conduct a free energy audit if DCCA determines that one is necessary prior to the start of the project.

The Energy Conservation Interest Writedown Grant Program has approved 425 grants to small businesses in Illinois. These grants represent $3.7 million of the $5 million available.

Iowa Building Energy-Management Program

Objective

The Building Energy Management Program makes loans to increase the energy efficiency of Iowa's public buildings, private and public schools, educational agencies, hospitals, and nonprofit organizations, and improve the environment by lowering waste-product emissions.

Funding

$2 million--*Exxon* settlement

Program

The Building Energy Management Program is operated by the Iowa Department of Natural Resources (DNR). Funds allocated for the program are used to leverage additional financing from other sources such as businesses and utilities. The program has four main components that target different areas.

Cities, counties, and local governments receive assistance through the Local Government Energy Bank Program. Acceptable projects include improvements to buildings, street lighting, water and wastewater-treatment plants, and power-generating plants. Northwest Investment Services helps provide financing. A private energy consulting firm was hired to answer detailed technical questions. The program existed as a pilot in fiscal 1990, when three local governments enrolled for help. The program will be expanded in fiscal 1991 to make services available to all cities and counties in the state.

In 1990 DNR created a new program to improve energy efficiency in Iowa's private colleges and universities. In conjunction with the Higher Education Loan Authority, DNR began energy-conservation efforts involving both the Iowa Association of Independent Colleges and Universities and the Iowa College Foundation. Two other colleges are involved in technical analysis to determine what improvements are possible. Accredited private schools also are part of DNR's energy-management efforts. Due to the small size of these schools and their particular financing needs, DNR works with each individually to create affordable financing for energy improvements.

Iowa's public school districts receive help through the School Energy Bank Program, which supports energy-saving improvements. All facilities in the program already have received energy audits, putting the program two years ahead of its original schedule. Two hundred and twelve jurisdictions participate, with a total of 691 buildings involved. Program officials have scheduled engineering analyses for about half of these buildings. The program has provided more than $3.1 million in loans, which should produce $925,991 in annual savings over a five-year period.

The Iowa Facilities Improvement Corporation funds energy improvements for state agencies. Set up in 1986, the program has brought the Departments of Human Services, Corrections, and General Services more than $1 million in annual energy savings. These savings are used to fund other departments. The Department of Transportation received $1.3 million, the Department of the Blind received $64,000, and the Department of Public Safety $45,000. The Facilities Improvement Corporation outlined $35.5 million in energy-management improvements for the Board of Regents facilities. Program officials plan to implement these measures by fiscal 1994, with a projected annual savings of $7.2 million. These improvements will pay for themselves in less than five years.

Wisconsin Waste-to-Energy and Recycling Grant Program

Objective

The Waste-to-Energy and Recycling Grant Program provides grants for private firms, municipalities, nonprofit organizations, and state agencies to improve their waste-to-energy and recycling options. The program aims to reduce amounts of fuel imported to Wisconsin, increase the competitiveness of state businesses, and improve the environment.

Funding

$3 million--*Stripper Well* settlement

Program

In November 1987, the Wisconsin Energy Bureau (WEB) began the Waste-to-Energy Evaluation and Technical Assistance Grant Program in cooperation with the Department of Natural Resources's Bureau of Solid Waste and the Public Service Commission of Wisconsin. It offered grants of up to $50,000 for pilot projects and studies involving waste-to-energy applications. In December 1988, the program was expanded and renamed the Waste-to-Energy Recycling Grant Program to incorporate recycling as a major component.

Recycling grants, waste-to-energy grants, and waste-wood energy system grants are included in the updated program. Applicants must provide a 50 percent minimum financial match to receive a grant.

Grant Eligibility. Applications for Waste-to-Energy and Recycling grants are judged on the following criteria:

- quality and completeness of the project plan;
- qualifications of personnel and consultants;
- scope of project development from first feasibility study to final implementation;
- identification and documentation of sources of waste, markets for the energy, and/or products recovered from them;
- expected economic benefits from the project; and
- quantity of waste flow affected.

WEB awards waste-wood energy grants to those projects with payback periods of ten years or less on a first-come, first-served basis. Overall, 104 grants were awarded in all six regions of Wisconsin. Forty-three grants went to waste-to-energy projects, 35 to recycling, and 26 to wood-energy projects. Fifty percent of the grants went to private businesses, 25 percent to municipalities, 11.5 percent to counties, and the remaining 13.5 percent to a variety of other applicants. Over 90 percent of the grants were less than $50,000; the typical grant was less than $20,000.

Results. Program managers conducted a survey of participants, which yielded these results:

- 68 percent reported jobs created by grant projects, with 11 percent creating 11 jobs or more;
- 92 percent of grant recipients made reports that brought technical know-how to others;
- 50 percent of the recipients would not have pursued the project without grant funds due to uncertainty about project potential, future market prices, or lack of investment capital; and
- 72 percent acquired additional funding using the grant money as leverage, thus creating greater benefits than the value of the grant alone.

Program managers calculate that the Waste-to-Energy and Recycling Grant Program has saved Wisconsin 13 trillion BTUs per year. Recently, applications to the program have exceeded program funding; only 38 percent actually received funds. A conference held in May 1990 brought interested parties together to learn about the methods and technologies supported by the program, and how to apply them. WEB has published information on more than 12 of the projects. Fact sheets are published with program information as well. All publications are free from WEB upon request.

California Business Energy Advocates

Objective

The Business Energy Advocates program helps companies with energy-efficiency and cost-cutting measures to increase profitability and competitiveness.

Funding

$1.6 million--*Exxon* settlement

Program

The California Energy Extension Service (CEES) started the Business Energy Advocates (BEA) program in response to problems it encountered convincing businesses to implement energy-conservation measures. Although companies expressed interest in saving money through improved efficiency, conservation was not a priority.

CEES staff divided California into eight zones to address regional business interests specifically. BEA offices are located in Redding, Eureka, Davis, Oakland, Fresno, Santa Barbara, Van Nuys, and San Diego. Through these local offices, advocates are close and accessible to company managers. The program provides information for interested parties through mailings, articles in local business journals, and meetings. Over the next two years, the advocates will hold a workshop in every county in California to discuss specific energy-saving products and systems and their performance. Densely populated areas will have more than one workshop.

The BEA workshop supports a variety of energy audits, performed by BEA or utilities, ranging from a ten-minute lighting review to a ten-hour comprehensive energy audit. After identifying energy-saving measures, BEA helps with implementation. The staff schedules visits to examine conservation techniques used at other firms, mediates with landlords over questions about building structure, and helps track the savings from implemented measures. BEA also helps remedy financing difficulties hindering projects.

To make the conservation measures recommended by BEA more affordable, CEES and the Department of Commerce offer businesses a special low-interest loan program. Loans at 5 percent interest are available to install energy-efficient equipment and to improve energy management. Loans are based on a payback of ten years or less, which companies cover with money saved by the efficiency measures. An additional $7.6 million from the *Exxon* settlement funds the loan program. It is operated as a revolving loan fund to expand the impact of the original allocation.

A variety of businesses have taken advantage of BEA's services. Greenhouse operators, supermarkets, farmers, bakers, industrial and manufacturing firms have used the information and funding offered by local advocates. BEA has issued 75 loans averaging $67,000 each. Loans ranged from $5,000 to the maximum $150,000. The average payback period in energy savings is four and one-half to five years. The most popular improvements funded by loans are small-scale cogeneration, HVAC, and high-efficiency lighting. Several of these projects have been successful in leveraging more funding from utility rebates and hazardous waste loans.

Massachusetts Energy Advisor Service

Objective

The Energy Advisor Service seeks to eliminate energy waste in manufacturing processes to improve the competitiveness and growth potential of the state's firms.

Funding

$920,000--*Exxon* settlement

Program

The Massachusetts Division of Energy Resources (DOER) developed the Energy Advisor Service (EAS) in 1984. EAS hired engineers from private firms for their technical expertise in manufacturing processes and energy efficiency. Engineers conduct on-site energy audits and provide manufacturers with specific customized energy-saving recommendations. EAS suggests varied efficiency-improvement measures ranging from refining and updating an industrial process to preparing feasibility studies for cogeneration possibilities. DOER subsidizes 80 percent of the cost of the energy audits. The client company involved in the program pays only $100 per day for the audits. EAS findings are presented orally to company officials responsible for implementing EAS recommendations.

In 1988 the Massachusetts Department of Public Utilities established incentives to encourage utilities to invest in energy conservation. Utilities also were directed to use least-cost planning methods. As a result of this directive, DOER modified EAS to combine technical analysis with utility-conservation incentives and implement projects that meet individual utility criteria. The participating utility pays from 20 to 70 percent of the cost of an audit. One utility has implemented 17 million kilowatt hours of improvements under this arrangement.

The Kraft General Foods ice cream plant in Framingham offers a prime example of the effect of state and utility cooperation on economic development. DOER and Boston Edison Company formed a cooperative service for industry, which combines EAS technical analysis with the utility financial incentives. EAS engineers identified $3 million in efficiency improvements at the Kraft plant including the installation of a new ammonia refrigeration system, a gas-fired defrost system, high-efficiency motors, and new efficient lighting systems. Boston Edison Company energy-conservation incentives financed the projects. Kraft paid $300,000 (its approximate annual savings); Boston Edison will rebate $2.7 million over two years. The joint effort of the EAS, Kraft, and Boston Edison has achieved the following savings: energy consumption in the plant was reduced by one-third; the annual electric bill was cut by $300,000; and the new productivity safeguards 250 industrial jobs.

Since 1984, EAS has identified energy-conservation projects totaling over $102 million that will save $51 million in energy costs for 375 clients. These companies average $137,000 of savings recommendations with a payback of just over two years.

Rhode Island Energy Management Service

Objective

The Energy Management Service helps Rhode Island's industrial firms with low-cost energy audits that suggest ways to improve the energy efficiency of their production processes and industrial structures.

Funding

$625,000--*Exxon* settlement

Program

The Governor's Office of Housing, Energy, and Intergovernmental Relations operates the Energy Management Service (EMS), which offers businesses help in saving energy, in production processes, and in equipment maintenance and operation. EMS was established to help companies involved in manufacturing or other production activities rather than offices, computer centers, or distribution facilities.

Officials of interested companies complete a plant-information form to give program staff an understanding of the business, its level of activity, and how much energy it consumes. They also must provide copies of all utility bills from the past year.

The program operates in two stages. First, energy specialists from Rhode Islanders Saving Energy (RISE), a nonprofit enterprise funded by and working with utilities and the governor's office, visit the facility and perform a preliminary efficiency audit. RISE staff examine lighting, HVAC, production-line motors, and building envelope. They submit a report to the state office that includes a recommendation on whether the facility is "process"-oriented enough to participate in the next phase of the program and receive an in-depth audit.

EMS officials hire one of three contracted professional engineering firms to conduct second-stage energy-efficiency audits. These firms are limited to 32 hours of work on the follow-up assessment for any one business. This work includes reviewing the RISE assessment and recommendations; conducting their own four- to five-hour efficiency audit of the facility and its production processes; and suggesting specific energy-conservation measures. The most common suggestions are strategies for waste heat recovery and installation of motors with variable-speed drives.

After the engineering firm has submitted its final report to the governor's office, representatives of RISE, EMS, and the engineering firm meet with officials of the audited company to discuss the energy-efficiency audit and its recommendations. Companies are charged only $250 for this service. EMS has coordinated 140 audits thus far, all for businesses with more than 100 employees. State officials are beginning to encourage smaller companies with as few as 50 employees to participate.

Louisiana Seafood Processing Program

Objective

The seafood processing program provides educational programs demonstrations, and audits for seafood and aquaculture processors to improve energy efficiency and economic performance.

Funding

$240,785--*Exxon* settlement

Program

Louisiana is among the nation's leaders in the fishing industry in quantity and value of product. However, much of the catch must be shipped out of state for processing due to high utility and maintenance costs at in-state plants. A more efficient processing industry would retain more jobs in the state and lead to greater revenue for both the processing companies and the state.

The Lousiana Cooperative Extension Service and the Lousiana Sea Grant College Program sponsors the energy conservation program for the seafood industry, which is made up of five main subunits: first level energy audits, result demonstrations, workshops, agent training, and educational publications. Evaluations of these programs will be made and from them reports will be produced. Each of the sub-units address a number of different issues.

- Energy audits point to inefficiencies that could be improved through easily applicable, low cost technologies. On-site audits require one to two days to complete. A variety of seafood industry facilities will be audited including crab, crawfish, and shrimp processing plants.

- Two processing plants will be chosen from those audited for closer analysis. Demonstrations will be performed at these locations. These plants will be selected according to their location, size, representation of the particular industry, and the facility operator's willingness to comply with recommendations. Sites will be monitored for at least one month prior to and one month following the recommendations. Results will be discussed at a meeting for all processors.

- Workshops will capitalize on the experiences and knowledge gained from the audits and demonstrations. They will be held in each of the four regions of Louisiana; Eastern Coastal, Central Coastal, Western Coastal, and Inland regions. The workshops will be publicized through newsletters, agent contacts, and direct mail.

- The Louisiana Cooperative Extension Service will sponsor training sessions for marine advisory agents stressing energy efficiency and conservation. Agents also will be involved in on-site visits. This training will lead to long-term benefits through the continuous contact between agents and processors.

- Two publications will be developed and produced for the processors. The first concerns energy conservation and self audit procedures for the crab and crawfish packing plants of Louisiana; the second targets producers in the shrimp and fish industries. At least 1,000 copies will be made of each publication.

Monthly reports will be issued detailing the progress and accomplishments of the program. Participants in the workshops and the energy audit program will be asked to complete questionnaires surveying their plans to use the information and procedures discussed in the workshops and audits. Advisory agents will visit 10 percent of the workshop participants and 50 percent of the audit participants to measure progress and estimate program effectiveness.

Nebraska Dollar and Energy-Saving Loan Program

Objective

The Dollar and Energy-Saving Loan Program offers low-cost financing alternatives for Nebraska's cities, businesses, farmers, and homeowners to encourage investment in energy-efficiency improvements that save electricity, fuel, and money. The program also helps people in emergency situations such as heating or air conditioning failure, and those rebuilding following storms, floods, and other natural disasters.

Funding

$10 million--*Exxon* settlement

Program

The Nebraska Energy Office, in conjunction with lending institutions, provides low-interest loans at 5 percent interest to Nebraska borrowers. Any citizen is eligible for a loan if the improvements are made to a structure in Nebraska and the institution financing the loan has a branch in the state.

The program allows the financing of various improvements. If a borrower is not sure which measures would prove most cost-effective, the Energy Office will have an audit performed by qualified personnel. Some audits are free; those more extensive may be financed with a no-interest loan from the Energy Office. To simplify the application process, program personnel drew up a list of improvements that qualify for loans. Eligible energy-efficient projects include:

- door, window, and ceiling projects;
- heating, air-conditioning, and plumbing projects;
- lighting-efficiency projects; and
- efficient household appliances.

Interested borrowers contact the Energy Office, acquire and fill out the necessary forms, including projected costs and other needed specifics, and return them to the office. The borrower then contacts any participating lending institution (the Energy Office provides lists of the most convenient lenders), and secures a loan. The borrower must meet the lender's credit requirements and provide information needed. Upon approval, the loan application is reviewed by the Energy Office. Within two to three weeks, the Energy Office has the lender notify the borrower that work may begin. In emergency situations special provisions are made. Work may begin immediately if the measures are on the approved list; forms are completed later. In other cases, the Energy Office responds immediately to emergencies and handles them on an individual basis.

To encourage as many financial institutions as possible to join the program, the Energy Office created the following method of financing loans. The office buys a percentage of the loan made by a lending institution: 100 percent of loans less than $1,000, 60 percent of loans from $1,000 to $5,000, and 55 percent of loans above $5,000. Upon approval, the Energy Office pays the lender the given percentage of the loan up front. Although the borrower pays 5 percent interest on the entire loan, the lender receives interest payments equivalent to a normal percentage rate but on a smaller loan. The lending institution then pays back the Energy Office on a quarterly basis. Thus the money is returned to the Energy Office for relending, multiplying the value of the initial $10 million allocation substantially. In case of loan default, the lender is allowed to collect its portion of the loan first. Program officials at the Energy Office handle all forms, paperwork, and marketing of the loans.

By mid-1990, the Nebraska Energy Office had funded 1,482 loans for 3,620 projects. The total cost of the improvement projects has reached almost $7.78 million.

New Mexico Agricultural Energy Management Program

Objective

The Agricultural Energy Management Program sponsors services, education, and research to help farmers and ranchers reduce energy costs by improving irrigation efficiency.

Funding

$246,035--*Exxon* settlement

Program

As one of New Mexico's largest industries, agriculture is a huge consumer of energy and water. It is estimated that 30 percent of farmers' costs are in irrigation. Due to rising energy costs, thousands of acres of cropland have been retired in New Mexico since 1974, causing severe damage to local economies. To promote efficiency and lower costs, New Mexico's Energy Conservation Management Division (ECMD) began the Agricultural Energy Management Program. The program has seven areas of activity.

Irrigation Pump Efficiency Tests. ECMD measures well levels and gauges pump efficiency through flow rates. This is the longest standing energy-management service that ECMD offers. It has tested over 2,500 systems throughout the state over the last 15 years.

Irrigation System Survey. This survey reviews the entire irrigation system from aquifer to crop. Recommendations are made on portions of the system necessary for increased efficiency.

Surge Irrigation Valve Loan Program. In 1988 ECMD field-tested new surge irrigation valves through the Black Range Resource Conservation and Development District. Energy savings and increased crop yields showed that the equipment paid for itself.

Irrigation Scheduling Networks. Weather data and computer software are used to give farmers across the state a more accurate estimate of their irrigation needs.

Resource Management. In 1989 ECMD started a training program for agricultural producers. The goal of this project was to inform farmers of the hazards that high agricultural-energy inputs present to soil, water, and wildlife.

Sprinkler-Adapted Drip Irrigation. To address the growing need for energy and water conservation, a demonstration project was set up to highlight new irrigation techniques and their potential savings.

Two booklets have been produced, "Saving Energy in Irrigation" and "Saving Energy on Farms and Ranches." Two videos also are available, "Water and Energy: When Conservation is the Only Choice" and "Working Toward Irrigation Efficiency." Final technical reports are available for all of the agricultural projects.

North Carolina Energy Management Technology and Technical Assistance Program

Objective

The Energy Management Technology and Technical Assistance Program provides education and assistance to industry, local government, and institutional facilities in energy-conservation technology and its applications.

Funding

$499,500--*Exxon* settlement

Program

The program consists of workshops, on-site facility surveys, and demonstrations of energy-conservation technology. It was created for managers and maintenance personnel directly involved in energy consumption. By demonstrating new and existing but underused technologies, the program provides an opportunity to review and assess their performance. The program has four major components, each addressing a number of specific issues.

Fundamentals of Energy Management. The "Fundamentals" series is designed for those employees who have a direct hand in energy conservation, primarily the operating and maintenance personnel. The series of workshops, held in five locations in the state, undertakes at least three meetings on each of the following topics, for a total of 25 workshops or more.

- Preventive maintenance: set-up and guidelines of a preventive maintenance program; available computer software; potential savings.

- HVAC: information on system testing, adjusting and balancing; distribution of maintenance checklist; quick, low-cost solutions are emphasized.

- Air compressors: compressor operation and maintenance, problem areas from source to point of use, energy-saving preventive-maintenance procedures.

- Chillers and cooling towers: basics of operation; relation of tower and chiller performance to energy consumption; control and maintenance.

- Efficient lighting: various sources and efficiencies; retrofits for conservation; reduction of energy use and calculation of cost and savings.

- Efficient motors: selection and use of variable-speed electronic drives, economics of retrofitting compared to rewinding failed motors.

- Steam traps: trouble shooting, testing, repair; present costs of lost steam; conduct of a steam-trap survey; "hands-on" training session.

Technical Assistance. In conjunction with these workshops, surveys are performed on site, providing technical assistance for energy-efficiency improvements. Those interested in receiving this service must send representatives to the appropriate fundamentals workshop. Eighteen facilities chosen from those attending the workshop will get help in preventive maintenance, HVAC systems, air compressors, chillers, and lighting. A separate program handles steam trap surveys.

Preventive Maintenance Pilot. One test site selected from the 18 receiving help will be developed as a case study. Performance and maintenance data will be compiled along with the development of inventory-control procedures.

Advanced Energy Management Series. An advanced series of workshops reaches engineers and employees in more technical positions to promote underused and unused technologies plus those recommended by the Association of Energy Engineers. More advanced and technical versions of the preventive maintenance, HVAC energy-conservation and HVAC-control strategies workshops will be offered. These will be joined by newly developed workshops including a Certified Energy Manager refresher course, International Concepts of Energy Management, Energy Impact of Industrial Automation, and Alternatives to Cogeneration.

Marketing of the Energy Management Technology and Technical Assistance Program is done through direct mailing, press releases, and recommendations from the energy/preventive maintenance consultants. North Carolina State University's Industrial Extension Service provides technical support, conducting the workshops and surveys. Evaluation reports are submitted to the facility outlining energy savings, problems with the facility, and recommendations. The facility provides a memorandum of understanding that commits the facility to match the state funds with 20 percent of its own. All implemented measures are reported to the Energy Division at the end of the year.

Oklahoma Energy Loan Interest Subsidy Program

Objective

The Energy Loan Interest Subsidy Program encourages small businesses to invest in energy-saving improvements to existing structures by providing subsidies on loans made by private lenders.

Funding

$1.5 million--*Exxon* settlement

Program

The Energy Loan Interest Subsidy Program (ELISP) is a joint effort of the Community Bankers Association of Oklahoma (CBAO) and the Oklahoma Department of Commerce. It gives small businesses borrowing money a 6 percent reduction in interest rate on the loan if the money is used for accepted energy-conservation measures. The maximum subsidy for a borrower is $30,000.

Lenders make all decisions regarding a borrower's credit background, collateral, and loan worthiness. A loan may be made for any purpose, but only that amount used for energy-saving improvements will be subsidized. The CBAO does review loan terms and may choose not to subsidize a loan if the interest rate is unreasonably high compared to current rates on other loans. Loans are available on a first-come, first-served basis.

Eligible Borrowers. In order to be eligible to receive a loan subsidy, a borrower must be considered a small business as defined by the Small Business Administration. Organizations defined by the Internal Revenue Service as nonprofit also are eligible for loan subsidies.

Eligible Improvements. Subsidies are available for the following improvements:

- building envelopes--insulation for ceilings, walls or foundations, window shading, caulking, and weather stripping;
- HVAC--heat recovery, flue dampers, time-controlled thermostats, variable-speed fan drives, high-efficiency and replacements burners;
- domestic hot water systems--pipe and tank insulation, water-heater recovery, low-flow water systems, and recirculation controls;
- lighting systems--low-watt incandescent bulbs, optical reflectors, low-watt fluorescents, and high-intensity discharge fixtures; and
- miscellaneous electrical systems.

Information describing the Energy Loan Interest Subsidy Program is available in a pair of handbooks, one for borrowers and one for lenders. A pamphlet outlining the program also is available.

South Dakota Energy Conservation Low Interest Loan Program

Objective

The Low Interest Loan Program provides South Dakota businesses with an affordable way to install energy-conservation measures by working with financial institutions to base repayments on realized energy savings.

Funding

$4 million--*Exxon* settlement

Program

The governor's Office of Energy Policy makes loans at 3 percent interest for energy-conservation improvements with a payback period of ten years or less. Loans are available to install energy-conservation measures in existing buildings (not for maintanence or remodeling expenses). Businesses applying for loans pay for the planned measures with the projected savings from the improvements. The payback period is calculated by dividing the cost of the measure by the value of the anticipated energy savings. In this way, businesses avoid the initial cost of the improvements and pay their usual energy costs, which are divided between the loan program and their utility. When the payback period is over, the energy savings become true capital. Commercial buildings, city, county, and state-owned buildings, and private residences all are eligible to receive low-interest loans. Applicants must own the building in which improvements are planned.

Program managers have approved a variety of projects for loans:

- replacement of outdated or inefficient heating and cooling systems;
- insulation;
- replacement of existing lighting with more efficient systems; and
- replacement of motors in heating, ventilating, and air conditioning systems.

The program processes the loans and provides all engineering analysis for improvement measures with an estimated cost of less than $25,000. Projects costing more than $25,000 are handled either by an engineer or an architect certified by the office. Applicants to the program must pass a credit check and provide a mechanics lien and a secondary mortgage for security on the loan.

The energy policy office began a related program in 1989. The South Dakota Main Street Program supports the redevelopment and revitalization of rural commercial business districts. The office granted $217,000 for an architectural consultant to help communities plan physical improvements to main street areas that maximize energy efficiency while still preserving the historic value of the buildings. Conservation recommendations from the architectural consultant have proven to be a valuable source of candidates for the Energy Conservation Loan Program.

The Energy Office has given over $2 million in loans: $500,000 to commercial building owners and $1.5 million to state universities, institutions, and correctional facilities. More than 60 residential applications have been processed. Interest in the program continues to increase.

Tennessee Small Business Energy Loan Program

Objective

The Small Business Energy Loan Program was designed to locate and aid small businesses that meet the eligibility criteria for low-interest loans. Once identified, these business receive loans to install and incorporate approved energy-efficiency measures in existing facilities.

Funding

$5 million--*Exxon* settlement

Program

Eligible Businesses. Businesses are eligible for loans of up to $100,000 at 5 percent interest if they complete an application and meet the following criteria. They must be at least one of the following:

- a small business with fewer than 500 employees;
- have annual gross sales of less than $3.5 million;
- be a unit of a county or local government;
- be classified as a not-for-profit or tax-exempt group or organization by the IRS;
- use, own or occupy the structure into which the efficiency measures will be installed; and
- be capable of pledging collateral, paying off the loan, and be declared financially sound.

Eligible Structures. A business receives a loan if the structure needing improvement is at least one year old, located in the state, and complies with certain technical real estate provisions. If the structure is rented, work will proceed only with the landlord's consent. No improvements are made to structures listed on the National Register of Historic Places without the written approval of the Tennessee Historical Commission.

Eligible Improvements. The planned structural improvements must be included in a list of measures approved by the program:

- weatherization--insulation, storm windows or doors;
- climate control systems--control systems, air conditioners and heaters, distribution systems;
- alternative systems--solar heating, cogeneration, energy-recovery systems; and
- any other documented system with proven energy savings.

The program staff at the Energy Division reviews and evaluates the completed application and sends the applicant notification of acceptance or rejection.

Arkansas Broiler Research Verification Program

Objective

As the leading producer of broiler chickens in the nation, Arkansas is conserving energy by improving broiler-production efficiency through research and testing.

Funding

$909,000--*Stripper Well* settlement

Program

Poultry production employs about 60,000 people in Arkansas with an annual payroll of $730 million. Energy-efficiency improvements or cost reductions will strengthen this vital industry and those involved with it. Toward this goal, Arkansas identified three areas in which improvements could achieve the greatest results: broiler-housing insulation, broiler-production heating and ventilation systems, and bird stress-reduction systems.

In order to determine the most cost-effective broiler-production system, four houses were constructed, each measuring 40 feet by 400 feet. Two of these models use steel trusses with rigid insulation; two use wood scissor trusses with fibrous insulation. Both types of houses are equipped with different heating and cooling systems. One of each type is operated at industry norm under both summer and winter ventilation conditions. The University of Arkansas Cooperative Extension Service operates the two remaining houses with the goal of maximizing energy efficiency. Researchers also monitor houses under "normal conditions" in northwest Arkansas and River Valley to compare to the experimental models. Researchers will choose a new house and a house at least ten years old to approximate facility deterioration in the field.

Testing will run for three years to avoid the effects of a particularly mild or severe growing season. To break down and isolate each component of overall energy costs, monitoring will be a key element of the program. Researchers will record temperature and humidity readings at the outside, inlet, and exit points of the production process and electricity used by the lights, fans, and water. These statistics will help identify the most cost-effective production process. Following the three-year test period, the experimental broiler houses will be used to test other variables in the production process, such as feeders, waterers, and light-control systems.

The test sites run by the Extension Service also will provide the opportunity for research in related areas of poultry production. Disposal processes such as incineration, burial, or chemical disposal will be tested on birds that die in the facility. Manure output from the sites may be used for fertilizer production.

The state provided funds for this program in July 1988, including $621,000 for design and construction of the broiler houses and systems, $92,000 for personnel costs, and $12,000 for the publication of the final report due in January 1993. The Extension Service finished design and construction of the facilities in September 1989. Reports will be produced annually for the three year project. The first report was scheduled for November 1990.

5. Utility Involvement in Economic Development

Partnerships underpin many communities' efforts to promote economic growth and diversity. As state and community leaders seek to expand these cooperative ventures, they must bring new sectors into the process. The next generation of initiatives will require more participants. Utilities are a logical choice.

Unlike many businesses, utilities have a unique stake in the economic vitality of their regions. While a manufacturing operation can move away and commercial enterprises can establish branch operations in more prosperous areas, a utility's financial stability is dependent on the region it serves. A utility has only one solid option for strengthening its economic position--expanding its customer base. Achieving this goal means improving the local economic climate so that new firms move in, new enterprises start operating, or existing businesses expand. As indicated in prior chapters, oil-overcharge funds can be used to encourage direct utility involvement and leverage more utility support.

Most utilities have viewed economic development as the "smokestack chasing" model of industrial recruitment. A growing number, however, are broadening the scope of acceptable practices. Utilities long have served as leading sources of information on site-location prospects; now, they offer more sophisticated economic information and analysis to help local officials plan and carry out strategies.

Some utilities are working with their industrial customers to assure them access to new technologies that increase productivity and profitability. Several utilities have established technology- assessment services for firms in their service areas. A few utilities have started to offer financial support in interest subsidies or direct lending to help firms they serve modernize or expand facilities and production lines.

Utilities tend to involve their efforts in nine categories. In six they offer indirect help to companies for the following activities:

- collect information on available land and facilities for companies exploring the possibility of opening branch plants or relocating in an area (by far the most common utility activity);
- offer discounted or promotional rates to keep companies in an area, help them expand, or locate in a targeted area;
- plan and implement area marketing and promotion programs;
- conduct surveys and assessments to help define the present and future needs of existing companies--key components in business-retention strategies;
- help secure affordable financing from other sources; and
- provide substantive energy-efficiency services to help businesses reduce energy costs per unit of output so as to increase their productivity and cash flow.

A growing number of utilities, however, are offering direct development incentives to complement those mentioned. The most prevalent types offered are:

- help capitalize revolving loan funds or establishing grant programs for small companies and nonprofit economic development organizations;

- offer interest subsidy or loan guarantee programs, in conjunction with private lenders, to make capital more available and affordable; and

- develop real estate projects such as small business incubators, often in distressed areas or other targeted locations.

Many jurisdictions have undertaken cooperative development initiatives with utilities. Usually utilities provide indirect support such as technical assistance or marketing and promotional help. While these efforts are important in stimulating economic development, utilities could play a more significant role. In becoming more direct and active partners in local strategies, they can ensure that companies in their service areas stay alive, competitive, retain jobs, and create new employment. The optimal mechanism is investment of capital to help firms reduce their operating costs--including those that are energy-related.

Utilities can benefit from participating in economic development partnerships in three ways. First, they can help preserve the existing industrial and commercial base. Second, in achieving more efficient energy use, the utility stands to shave its own peak demand, resulting in lower wholesale prices on its own energy purchases. Finally, reduced energy consumption can lessen the need for some utilities to undertake costly expansion programs of their own to increase their generation capacity.

The Institute has worked extensively with three small utilities to link energy efficiency and capital investment incentives to private business activity. The efforts of these utilities--the Northwestern Pennsylvania Rural Electric Cooperative, Osage Municipal Utilities, and Somerset Rural Electric Cooperative--are profiled below. Many other utilities have tailored initiatives to meet development needs in their service areas. Highlights of nearly 20 such partnership programs follow the three case studies.

Northwestern Pennsylvania Rural Electric Cooperative

The Northwest Pennsylvania Rural Electric Cooperative (REC) set as one of its major goals "to strengthen the cooperative's support of economic development in the communities it serves." In the last 18 months, the utility has defined a creative and substantive role for itself in its predominantly rural service area. It has established several financial and technical assistance programs which--although small in terms of dollars--have had a large impact. In addition, the utility began an aggressive outreach program. Utility officials visit commercial and industrial companies to introduce their development programs and learn what they need to promote business activity; at least 250 such visits are planned for 1991. Northwest Pennsylvania REC's program is one of the most comprehensive and ambitious of any small utility in the nation. The most important components are outlined below.

NEED Program

The Northwest Energy Economic Development (NEED) program, launched in January 1990, provides free energy surveys and interest-rate buydowns to commercial and industrial establishments in the utility's service area. The program has four objectives:

- integrate energy efficient and related financial incentives into a local business-retention strategy;

- encourage expansion of existing businesses through energy-efficient modernization and diversification activities;

- promote new business start-ups and improve the local economic climate by reducing energy costs; and

- promote better demand management, which will help keep rates low and enhance other development efforts when combined with the other three steps.

The Northwestern Pennsylvania Energy Center in Erie conducts the energy surveys with the utility. The Center's engineers do a walk-through assessment to gauge the potential for significant energy-saving improvements and undertake a detailed follow-up survey if necessary. They make specific recommendations, for example revamping motor loading, or changing lighting or heating systems.

If company managers decide to make recommended changes that require financing, they arrange the most advantageous terms possible with a commercial lender. After evaluating the projected energy savings from the investment, Northwestern REC offers to buydown the interest rate on the loan from three to five percentage points, depending on the project.

By the end of 1990, ten companies and Saegertown High School had received walk-through surveys. Energy center staff had completed four reports, and another three were nearly complete. An outside expert has been retained to conduct an in-depth energy-efficiency audit for the Sparty Wood lumber mill.

NEED Grants

In October 1990, the Northwestern REC and the Pennsylvania Energy Center made $20,000 available for grants to help business owners finance energy-efficiency projects recommended in the NEED surveys. The grants pay for as much as 50 percent of the improvements or $2,000, whichever is less. A local auto body shop will be one of the first to use this program. The business has outgrown its original two-car garage site; the owner plans to build a new 1,800 square-foot shop. The utility, through NEED, suggested certain insulation and construction for the new facility; the owner intends to use the NEED interest buydown and grant funds to make the suggested modifications to the building.

Rural Business Capital Loan Fund

The $65,000 fund finances projects that help small companies stay in business or expand, and encourage activities that create jobs. The fund, which remedies a lack of capital for specific development projects, provides below-market-rate monies that are matched with other borrowings and business equity in a total financing package. The Northwestern REC, the state of Pennsylvania, and the utility's own power supplier, Allegheny Electric Cooperative, capitalized the fund.

The loan fund is administered and its loans are serviced by the Northwest Pennsylvania Regional Planning and Development Commission. Eligible businesses may receive gap financing of up to one-third of project costs at 5 percent interest or less, depending on the project and financing package, for up to seven years. Principal repayments will be put back into the fund, creating a revolving loan pool for future use. Interest payments help defray program operating costs. The Quaker Vending company, which distributes soda products and installs and services soda machines, borrowed $20,000 from the fund to help finance construction of a new 50,000 square-foot headquarters building in the area. A local sawmill borrowed $6,000 to build two small structures at the complex.

Other Efforts

Northwestern REC has borrowed money from the federal Rural Electrification Administration to undertake the development of an industrial park in its service territory. Although beset by unexpected environmental issues at the site, local officials intend to recruit for tenants the graduates of nearby small business incubators who need more space for their operations. The utility is working with a local economic development organization, the Meadville Redevelopment Authority, that hopes to market and manage the park.

The utility also has extended its "Country Comfort" program to some commercial enterprises. Originally designed for residential energy users as part of its loan-management program, Country Comfort includes rebate and low-interest loan incentives to help cover the costs of equipment, such as electric thermal storage units or duel fuel heating systems. Incentives include cash rebates equal to 20 percent of the installation costs (up to $1,000), low-interest loans for purchase and installation costs, and off-peak electric

rates. Owners of the local Cedar Tree restaurant borrowed $15,000 at 5 percent interest through the program; they anticipate 50 percent savings on their heating bills from program participation.

Osage Municipal Utility

Osage Municipal Utilities in Osage, Iowa, combines state oil-overcharge funds and company resources to strengthen area businesses and help them expand, as well as encourage new companies to begin operations in its rural north central Iowa service area. Through its High Energy Efficiency Loan Program (HELP), the utility has involved itself directly in business-retention and expansion strategies. Osage promotes energy conservation, which lowers a business' utility costs per unit of output; it also subsidizes loans to businesses that improve their energy efficiency by adopting new technological processes or modernizing facilities.

By offering HELP, the utility embarked on a pioneering effort to show the importance of energy efficiency in economic development strategies. The program has four objectives.

- It seeks to encourage expansion of businesses already in place by helping them finance installation of energy-efficient facilities and equipment.
- It promotes new business start-ups and improves the local economic climate by reducing energy costs.
- It intends, by integrating energy efficiency and related financial incentives, to keep existing businesses in the area.
- It makes planning for future energy demand easier to achieve, which helps keep rates low and enhances other economic development efforts.

HELP offers two services for industrial and commercial firms: free energy efficiency audits and access to an interest-subsidy loan program to make the improvements or investments identified by the audits. The process begins with a "walk through" energy analysis of a facility conducted by an energy-efficiency expert, who identifies the range of potential savings in both structure and equipment. If the potential exists for significant reduction in energy use and the firm is interested in making the necessary investments, the auditor undertakes a second, in-depth examination. This assessment defines specific energy-efficiency options available, their estimated cost, energy savings, and payback period--the amount of time needed for the energy savings from the improvement to equal its cost. The efficiency expert also makes recommendations for new construction after reviewing plans for the building and equipment; suggestions might include additional or alternative plant designs or variations in equipment. The utility pays half the cost of the energy audits, which have averaged about $400 for walk-throughs and $2,000 for in-depth analyses. Oil-overcharge funds cover remaining costs.

Companies choosing to make the recommended investments are eligible to take part in the second part of the HELP program, in which they receive interest subsidies to lower the cost of capital needed to undertake the energy-saving improvements. Industrial and commercial firms generally are eligible for interest-rate reductions of five percentage points below the local market rate for eligible investments; in specific cases, the program may cover all interest costs for the first two years of the loan to make the investments more attractive. The utility pays half the amount of the loan subsidy; oil-overcharge funds provide the balance.

The program design was kept broad and simple. The utility encourages private investment with the interest subsidy, a favored approach because it exposes the utility to the least financial risk. Program officials adopted simple administrative procedures; participating banks underwrite and service the loans.

Osage Municipal Utilities initially offered HELP to all its industrial customers. Later, it expanded the program to commercial enterprises to encourage main-street business activity. It defined broad eligibility

guidelines for energy-efficient investments. They include structural changes to existing buildings (such as heating and cooling systems, lighting and electrical systems, new process equipment to replace or retrofit existing equipment (as long as it was more energy-efficient), and new equipment for new product lines. Subsidies for investments in new buildings were limited to the added costs of installing the most energy-efficient materials and systems available, compared to minimum standards. The utility sets payment schedules for the interest subsidies.

Initial results are promising. Fox River Mills undertook a $2 million plant renovation and production-line reorganization in 1989 following recommendations of the utility's energy efficiency audit and a subsequent productivity evaluation. The knitting mill, Osage's largest employer, was receiving overtures from another state for possible relocation. The mill owners went ahead with the improvements, lowering the amount of energy needed to produce a dozen socks from 48 cents to 30 cents--a 37 percent cut. Yet Fox River Mills increased its overall energy use by 60 percent the first year after the improvements because plant productivity shot up 200 percent during that time. Mill owners have been able to reduce wholesale prices while increasing sales and profits; they reinvested the profits in the company to help pay for a plant expansion. These efforts created more than 50 new jobs, a major boost for a town of less than 4,000 people and a grand achievement for the "dying" U.S. textile industry.

Another company incorporating the results of a HELP assessment, A-Z Drying, rebuilt its insecticide dryer system and has since cut its energy use in half for equivalent productivity. Innovative uses of waste heat in the town bakery and other energy efficiencies in main street commercial enterprises were featured on *Good Morning America* and other major television network broadcasts. These success stories demonstrate the role of HELP in creating incentives for companies to remain economically competitive and supporting community economic development in the Osage area.

Somerset Rural Electric Cooperative

Pennsylvania's Somerset County has suffered the loss of several major industries in recent years; its unemployment rate hovers at 9 percent. The Somerset Rural Electric Cooperative (REC) has lost 48 percent of its commercial and industrial sales since 1983. In the long run, the utility sees taking a direct role in economic development as a way to increase economic activity in the Somerset area and to help rebuild some of its lost sales.

The Somerset REC has developed a program to encourage economic development activity through energy-efficiency improvements and investments. Nearly identical to the NEED program available in the Northwestern Pennsylvania service territory and the HELP program offered in Osage, the Somerset Energy-Efficiency Economic Development (SEED) program provides assessments and financial incentives to key businesses in the utility's service area. SEED was designed as an element of the area's business-retention and expansion strategy. To date, the REC has spent $6,800 on assessments for local companies.

Poorbaugh Lumber Company in Stoystown was one of the first industrial concerns to take advantage of energy-efficiency audits and interest rate buydowns offered by the SEED program. Based on the energy audit, Poorbaugh replaced its chipper and debarker. The new equipment, in addition to saving $4,250 per year in energy costs, also cut maintenance expenses and improved the quality of the products. According to the company's president, the "study was of significant help in developing future plans" for Poorbaugh.

The availability of SEED program incentives inspired Poorbaugh in mid-1990 to undertake a $2.9 million modernization and expansion. This effort will involve constructing a new lumber mill, renovating the old mill (including improvements to electric, heat, light, and boiler systems), and installing more than $800,000 worth of new equipment. Poorbaugh plans to diversify into hard-wood veneer production; previously, it had only carried out a rough-cut lumber operation. The veneer production industry is less than a decade old in this country, but demand for quality veneers is growing steadily. The company has identified markets worldwide for this product.

To further its economic development activities, Somerset REC helped begin the Partnership for Rural Industrial Development Enterprises (PRIDE) in late 1987, along with the county development council and chamber of commerce. PRIDE's mission is "to promote, encourage, and develop industrial and manufacturing enterprises and other forms of economic growth in Somerset County." The organization's first task was to implement a key recommendation of a development feasibility study: establishment of a small business incubator to encourage start-ups in the area. The utility was instrumental in carrying out this goal. Utility officials directed the time-consuming site-selection process, prepared funding applications submitted to the federal Rural Electrification Administration and Pennsylvania's Ben Franklin Partnership program, apprised venture capital providers, and worked with private lenders.

Somerset REC also provided more than $101,000, primarily in no-interest loans, to PRIDE for the incubator project. It was the first small utility in the country to participate actively in the incubator-development process. It was the prototype for similar rural development initiatives considered in Congress in 1990. After four years of effort, the 22,000 square-foot building on 83 acres near the Pennsylvania Turnpike was ready for its first tenants in early 1991.

Utility Partnership Programs

Business and industry recruitment, a primary objective of local and regional planners, has involved utilities for many years. Recently, many jurisdictions have broadened their efforts to keep existing firms and help them grow. To succeed, this strategy needs planning, marketing, and technical assistance activities to support it. As the following examples suggest, utilities now help with these activities.

The *Arizona Public Service Company* formed the Rural Arizona Growth Corporation to help with economic development planning. The corporation maps out state-wide development and marketing strategies to promote growth in small towns in the state. No state agency fills this role. *Utah Power* organizes strategic planning sessions, mostly in small communities. Participants evaluate community assets, barriers to investment, and job creation and prepare action plans to stimulate activity. The utility helps conduct periodic follow-up meetings to help implement the plan and monitor progress. In New Mexico, the *Socorro Electric Cooperative* in Socorro and the *Kit Carson Electric Cooperative* in Taos have undertaken similar efforts in their service territories. The *United Power Association* in Elk River, Minnesota, works with communities that need various types of business development assistance. Utility staff members also help small town officials identify financial resources when prospective businesses are identified.

Montana-Dakota Utilities, which serves much of Montana, North Dakota, South Dakota, and Wyoming, provides a broad range of economic development services to businesses and local governments. They include technical assistance and financial support for development organizations and programs, production of local booster slide and video presentations, and help with community work on business prospects.

New Jersey's PSE&G has compiled an extensive computer data base of available commercial and industrial sites. It includes information on available power hookups, computer capabilities, and structural characteristics of existing facilities. The utility's site-finder service links available space to prospective users. PSE&G also works with New Jersey Bell on two initiatives: a pioneering business-retention program that emphasizes traditional manufacturing and commercial companies, and access to information technology for new or expanding New Jersey companies.

The *Alabama Power Company* operates a sophisticated computer-information network with an interactive video system that contains information on Alabama communities. The company can make customized presentations for visiting prospects on anything from a small office building to a large mixed-use project. It can provide demographic studies on any area of the state, as well as graphic displays to illustrate a number of variables. *Georgia Power* operates a similar computer service at its Georgia Business Location Center in downtown Atlanta to complement its successful business-retention and expansion program, which

has operated for the past five years. The latter effort gives local officials needed information on the community's industrial mix, the type and number of manufacturing firms located there, and their immediate and future human and financial resource needs.

All of these support programs help communities promote economic development and growth by relieving them of the burden of maintaining this technical capacity themselves. Utilities can achieve economies of scale in marketing, promotion, and pure and simple wooing of business prospects. These economies of scale extend to staff expertise as well as sophisticated computer systems and hardware.

Several utilities have contributed to enterprise zone programs in their states by offering special incentive rates targeted to the economically distressed zones. Other utilities have devised their own geographically targeted incentive programs. *Consolidated Edison in New York City* launched Project Appleseed which provides reductions of up to 30 percent on electric costs to encourage the growth of businesses in areas where its facilities are used. Con Edison also operates a complementary program, a $6 million pilot initiative to encourage businesses to undertake energy-conservation measures that reduce their energy costs.

Under state sponsorship, seven New Jersey utilities provide energy audits for companies located in urban enterprise zones; these firms then can take advantage of state grants to offset the costs of recommended energy efficient lighting systems. The *Philadelphia Electric Company* offers rate discounts to companies pegged to their increases in employment. Such rate-incentive programs improve economic prospects because they reduce a company's cost of doing business, thus relieving pressures on their operating capital.

Business assistance is another means by which utilities can help communities in their service territories, especially small towns. Many utilities such as *Georgia Power* conduct workshops for entrepreneurs on topics such as preparing a business plan and obtaining bank loans. Rural electric cooperatives in North Dakota, North Carolina, and Pennsylvania are developing small business incubators.

Madison Gas and Electric (MGE) in Wisconsin has committed $400,000 over three years to finance and operate an innovation center affiliated with the University of Wisconsin. This partnership, targeted at small, technology-based commercial enterprises, provides fledgling entrepreneurs with below-market rentals and support services during their formative period. The new facility will offer office and laboratory space and equipment, on-site clerical support, access to university technical experts, and management assistance to technology-based, start-up enterprises. Income from the center that MGE receives over costs will be given to the University of Wisconsin Research Park for more research and promotional activities.

In these instances, utilities are helping local businesses identify suppliers, markets, and sources of financial assistance. This type of service can be a godsend to communities, especially small towns that simply do not have the staff to take on such tasks.

Some utilities have plunged into other types of real estate activities as well. A few have created holding companies to separate real estate ventures from public service activities. Others are taking a direct role in business attraction and retention programs by developing land and facilities. For example, *Wisconsin Electric Power* helped assemble a 1,200 acre industrial park near Kenosha as a way to dispose of land it acquired during the 1970s as a buffer zone for a planned coal-burning facility that was never built. Two Illinois utilities recently established subsidiaries that make investments directly related to economic development projects: *Central Illinois Light Company*, through CILCORP, and *Iowa-Illinois Gas and Electric*, through its Iowa-Illinois Energy Company. *Franklin Land and Resources*, a subsidiary of *El Paso Electric Company*, is involved in historic preservation real estate projects to revitalize downtown El Paso.

Some utilities offer programs to help businesses cut operating or capital investment costs. This help can increase a firm's competitiveness by improving its cash-flow position and profitability. As part of its "Bright Ideas for Business" program, *Wisconsin Electric Power* purchases major energy-efficient equipment for its industrial customers who repay the loans over three to five years--largely from the energy savings

resulting from the new equipment. *Arkansas Power and Light* (AP&L) operates a multimillion dollar Training Resource Center that offers more than 150 courses ranging from process and instrumentation control to industrial welding to advanced electronics and high technology. The curriculum is pegged to students' skill level and emphasizes hands-on training with models, simulators, and industrial equipment. In addition, AP&L has started offering customized training services to meet specific business needs.

TU Electric in Texas devised an innovative thermal storage system for a fruit-juice manufacturing plant in Burkburnett, which has shaved electricity costs by 24 percent--a significant amount in the competitive food-processing industry. Buoyed by this success, the company and the utility are working on another cost-saving measure, industrial heat pumps. Coupling pumps with a waste-heat recovery system to heat water, the plant will be able to retire its gas-fired boilers. The manufacturer intends to expand the operation, targeting foreign markets for the first time.

Increasingly, utility officials are considering offers of direct financial assistance. A few pioneers have launched this type of program. *Brooklyn Union Gas* has capitalized a revolving loan fund that makes low- or no-interest loans of $25,000 or more to small companies to encourage job creation and reuse, and the rehabilitation of land and facilities. These loans can be used for a variety of business-related activities, including site acquisition, site development, architectural design and other building-related costs, facility construction, or purchase of equipment and machinery. The utility also recently expanded its Cinderella Program that provides low or no-interest loans for newly constructed or renovated industrial and commercial facilities that use high-efficiency equipment. To complement these efforts, Brooklyn Union recently budgeted $300,000 over the next three years to increase the technical assistance services and energy-efficiency analyses offered through its Energy Management Program.

In October 1986, the *Iowa-Illinois Gas and Electric Company* began an Economic Development Assistance Fund (EDAF) program with $750,000 which it doubled to $1.5 million in mid-1989. EDAF makes investments, grants, loans, and loan guarantees for development-related projects that create new businesses or promote expansion of existing operations. By 1990 eight ventures had received EDAF financial support, six in the form of loans.

The *United Power Association*, in Minnesota, with its 15 member rural electric cooperatives, offers a flexible economic development loan program. Interest rates are negotiable but generally match those of other lenders. The loan term varies according to project type, use of funds, and cash-flow needs. Eligible companies may borrow up to $200,000 for activities including land and building acquisition or improvements, building construction or renovation, machinery and equipment, working capital, and inventory purchase. Utility participation can reach 50 percent of project costs; borrowers must invest a minimum of 10 percent. Since the program was launched in April 1990, United Power has made five loans and is processing 12 other applications.

The "Teamwork Arkansas" economic development strategy adopted by *Arkansas Power and Light* (AP&L) features matching grants that communities may tap to help finance infrastructure improvements, industrial site development, tourist development activities, and project feasibility studies. In 1989, these grants helped more than 50 jurisdictions, providing up to 50 percent of project costs. Grant applications are made by local organizations such as chambers of commerce or development committees. AP&L has committed $10 million to the Teamwork Arkansas initiative, which also features seven technical assistance components. During its first two years, the project supported more than 80 plant expansions, creating thousands of new jobs.

Many utilities are considering direct financial assistance to supplement other public and private efforts, realizing their interests and those of the community coincide. Many utilities are experiencing reduced demand for power due to industrial transition and distressed conditions that are squeezing firms out. Many utility officials fear this situation could worsen. Some recognize that they can help themselves by helping the businesses in their service areas to become more competitive and economically able to survive and thrive.

6. Planning for the Post-Settlement Years

States received about $3.3 billion from oil-overcharge settlements from 1986 to 1989. Most used the funds to establish energy-efficiency programs for industrial, agricultural, and commercial businesses. In the next five to ten years, states will receive the last $600 million. Energy-related economic development programs will have to compete for the remaining funds with infrastructure projects, low-income programs, and a host of other needs. By the turn of the century the money will be gone. State officials must find new sources of funds to maintain and even expand successful programs that use energy incentives to help make businesses more profitable and competitive. Utilities are ideally suited to become partners in these energy-efficiency projects.

Recent events have heightened interest in the potential for improving industrial energy efficiency. While energy experts long have known that U.S. industry is only half as energy-efficient as its competitors, on average, Iraq's invasion of Kuwait and the subsequent rise in oil prices make that competitive disadvantage even more damaging. A recent report by the Office of Technology Assessment (OTA) of the U.S. Congress highlighted the loss of technological preeminence by U.S. industries, which is particularly onerous for small and mid-sized businesses. The slide of the U.S. economy toward recession has increased the interest of policy makers in innovative economic development strategies that do not rely on additional federal revenues.

Utilities could help manufacturers stay competitive and boost the economy in their service area. In many ways, they are uniquely positioned to provide assistance; many are interested in playing an active role in economic development. Development planners emphasize the importance of small business start-ups plus retention and expansion of local enterprises, rather than relocations, for economic growth. Utility officials have learned that more personal involvement with their industrial customers is a vital marketing strategy. The best way to retain existing industry is to keep in touch and establish a working relationship.

The time is ripe for utility officials and public policy makers to consider ways for utilities actively to promote energy efficiency and technological innovation in the industrial sector. Mounting public pressure is forcing utilities to implement least-cost energy strategies. Before a utility requests approval for new generating capacity, it must evaluate the cost-effectiveness of other alternatives, including energy-efficiency measures. Substantial opportunity exists for cost-effective investment in those designed to reduce demand and avoid new construction. Several states now require utilities to invest in such measures and have provided incentives for them to do so.

Those utilities providing technical assistance such as energy audits and financial incentives have seen local businesses achieve more efficient use of energy, lower production costs, and lessen cash-flow pressures. Fewer have failed and some have even expanded. Most utilities, however, are not enthusiastic about developing such services for their industries. Many cling to business as usual and fear loss of revenues. Where financial incentives exist to encourage demand-side management, utilities often turn to other energy-efficiency investments, such as conventional home-weatherization activities, first. Top management often is preoccupied with traditional aspects of the utility business and pays little attention to implementing new programs. Some regard partnerships with state officials as involving too much red tape. Few utilities have experience with development programs.

Barriers to Utility Involvement

Many utility executives have risen through the ranks of what could be described as a conservative industry. Many have engineering backgrounds. Most feel more comfortable doing what they have always done: selling energy and building generation capability. By and large, utility officials continue to think primarily in terms of how to sell more energy and how to forecast increased demand so that they can build more capacity when needed. These issues have preoccupied utility executives for decades. Investment in energy-efficiency measures is a foreign concept to many.

Utility officials understandably are reluctant to pursue policies for which few financial benefits exist. Until recently, utilities operated in a regulated situation that allowed a rate of return on capital investment in plant and equipment. Public utility commissions encouraged utilities to expand sales of electricity and build new generation capability. Many utilities still operate in this mode; direct investment in energy-efficiency is not encouraged. However, some states have changed the regulations to mandate utility investment in energy-efficiency or provide rate incentives to those that do. Unless more states adopt regulatory changes or give financial incentives for energy-efficient retrofits and new equipment, little utility involvement can be expected. Such changes are essential to increased utility participation.

Even in states where utilities are rewarded for energy-efficiency investment, their involvement still is hampered. Traditional demand-side management and energy-efficiency investment undertaken to ensure future supplies without new construction rely on proven incentives, such as rebates on lighting. The need for predictability and acceptance of short-term payoffs dictate investment in proven technologies that vary little from company to company. While these measures reduce electricity use, they neglect the type of energy-efficiency assistance most needed in the manufacturing sector. Needed technical assistance includes evaluations of specific operations; technological improvements in process equipment, not merely in the building envelope; better heating and cooling equipment; and insulation. These measures could even boost electricity use if companies expand production. Utilities need special incentives to undertake such programs; they are not likely to try them on their own.

Although many utilities have economic development departments or at least an official with designated duties, top management usually does not regard them as a priority. Yet innovative programs must have top management backing and attention to be successful. Meetings of economic development officials and utility management, although helpful, do not ensure the level of management attention necessary. Regulatory incentives can be compelling because they ensure top-level attention.

Another barrier to utility partnership with states on energy-efficiency investments is bureaucratic requirements. Utilities are reluctant to enter into state programs that require excessive paperwork. Usually private industry is not interested in programs that impose requirements, such as prescribed job creation, or a certain level of energy efficiency that requires extensive documentation. Few rush to apply for grants or loans that require long lead times for approval.

Finally, many utilities, especially the smaller ones, are not experienced either in economic development or in energy-efficiency initiatives, particularly involving industry. Even though some utilities may have realized the potential of such strategies, most remain reluctant to begin a program or are not sure which type to try. Many choose strategies that seem the least risky and the most familiar. Inexperienced utilities usually do not begin a program they view as unknown or possibly uncertain without a lot of encouragement.

State Efforts to Promote Partnerships

Public utility commissions, elected officials, and agency heads have to resolve these problems to engage utilities as partners in their energy-efficiency programs. State officials should establish working groups that include key utility officials, public utility commission members, governor's staff, as well as economic development professionals. State-level planning for partnerships holds several advantages. States

creating regulatory incentives and a task force that involves utilities with public and private development interests may devise a broad-based program that boosts the entire economic base. University officials might join the process and contribute needed technical assistance. Universities could train energy-efficiency auditors and house technology-based research consortia for key industries.

As pointed out earlier, many manufacturers are ill-acquainted with process technology or the potential for energy savings. State programs offering industry assessments and even financial incentives often spark little interest, especially initially. Marketing programs can consume significant amounts of employees' time. Utilities however, already have relationships with the industries the state is trying to reach. Utilities know their customers' energy costs and have credibility as a nongovernmental entity. Utilities, therefore, have opportunities to urge customer participation.

Existing state energy-efficiency programs for industrial, commercial, and agricultural businesses funded with oil-overcharge funds could benefit substantially from involvement with utilities. Although dramatic results have come from innovative programs underway, partnerships with utilities could yield even greater benefits. Joint efforts could strengthen these programs by improving the response rate of industries to program opportunities, expanding the scope and depth of the assessments, and increasing the financial resources and their results.

Most state programs use portions of the total state oil-overcharge monies, which will run out within a decade. Many state-run programs focus on energy efficiency for the building envelope, especially heating and cooling equipment, and do not address more costly process technologies. Utility involvement and financial support, if properly managed, could encourage more in-depth assessment of process technology. By promoting a dual energy-efficiency-economic development program, policy makers could shift the goal from favoring quick-payback investments such as lighting to more expensive but much more productive measures such as modernization of manufacturing processes.

State-utility partnerships could make more funds available for program initiatives, including professional assessments and financial incentives. Utilities could market the programs effectively to their customers. If encouraged to do so by policy makers, they provide sophisticated guidance that suggested innovative, energy-efficient technology to industry managers. Such an emphasis could provide needed support for small and mid-sized companies, in particular, to stay competitive in today's economy.

Officials of the Office of Technology Commercialization at the U.S. Department of Commerce have studied the disadvantages facing small and mid-size industries trying to compete in domestic and international markets compared with firms that are more technologically advanced. They found that many owners have neither the time nor the expertise to keep up with technological innovations applicable to their industry. Frequently they have no ready access to information about these advances because day-to-day business management consumes their time and attention. Few public or private institutions help introduce new energy-efficient technologies for manufacturers. In particular, little technical assistance is available for small manufacturers. Yet ignorance of energy-efficient and productive processes often means industries quickly lose their competitive edge. Unlike the United States, Japan invests billions annually in helping its small and mid-sized industries stay technologically advanced. U.S. firms need help in this area.[1]

A recent report by the Office of Technology Assessment came to similar conclusions.

> U.S. manufacturing is in trouble. . . . In industry after industry, U.S. manufacturers have lost out to competitors who are able to make things better--products with better features and more reliable quality, at lower

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[1]Joseph Allen and John Paugh, Office of Technology Commercialization, U.S. Department of Commerce, addresses before the conferences "Expanding the Economic Development Impact of Utilities: New Energy-Efficiency Ideas, New Financing Tools," Austin, Texas, October 11, 1990, and Denver, Colorado, November 14, 1990.

> cost. The key to this better performance is technology. . . . Once, U.S. manufacturers led the world in technology. Now, in one field after another--first radios and TV, then automobiles, now semiconductors--Japanese manufacturers are passing us by. Other Asian countries like Korea and Taiwan are coming up fast, and Europe is mounting new challenges.[2]

Marc Ross, a leading expert on industrial energy efficiency, emphasized in a recent speech that even many large manufacturers, such as General Motors and Ford, pay scant attention to process technology. The auto industry concentrates on marketing, product development, and financing issues, but does not evaluate and implement process technology changes. As a result, these industries often overlook major opportunities to become more energy efficient and productive. Ross stressed that such institutional barriers to expanded energy efficiency and technological modernization in U.S. industry were not the exception, rather the rule.[3]

What emerges from recent research is a clearly defined area of need. Small, mid-sized, and even large companies often are not technologically advanced and have scant institutional ability to track innovation. Most advanced equipment and manufacturing processes are more energy-efficient per unit of output than equipment now in use. By helping operations in their service areas become more technologically advanced as well as energy-efficient, utilities could increase substantially the likelihood that they will survive, thrive, and eventually expand.

While U.S. firms compete in an international market, their foreign competitors often have substantial advantages over them. The Japanese, for example, have many programs and institutional arrangements that promote small manufacturing efforts that are technologically advanced. Technical assistance and financial incentives exist in Japan for such operations, enabling them to keep up with change. Although the OTA report includes several options for the federal government to consider in aiding small manufacturers, Washington is not likely to add initiatives that would compete with established programs for scarce federal dollars.

Although some utilities and states have implemented programs to help industry lower energy use, much remains to be done. Neither has tapped the potential for energy-efficiency improvements and more efficient technologies. For a variety of reasons, including governmental, institutional, and fiscal problems, U.S. industry is losing its technological edge rapidly. Much can be done with well-designed public-private partnerships linking oil-overcharge-funded programs with utility resources. Such initiatives must have the backing and draw on the expertise of a broad array of officials from utility, public utility commission, energy, economic development, and possibly university backgrounds. Leadership is needed to establish programs and the commitment to make them work. The payoff would be enormous.

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[2]U.S. Congress, Office of Technology Assessment, *Making Things Better: Competing in Manufacturing* (Washington, D.C.; February 1990), p. iii.

[3]Marc Ross, Physics Department, University of Michigan, in a speech at the conference "Expanding the Economic Development Impact of Utilities: New Energy-Efficiency Ideas, New Financing Tools," Chicago, Illinois, October 24, 1990.

Appendix
State Oil-Overcharge Funds: Summary Tables

The following three tables are intended to provide a capsule view of each state's oil overcharge resource allocation decisions. Funding allocations or distributions are considered final when the state has completed its internal approval process.

Exxon Table. Table 1 summarizes state-by-state *Exxon* allocations through April 1990, including specific program distributions made within each of the five programs permitted by the settlement. The final column, "Other Uses," highlights those funds that do not neatly fit within the five program areas; it includes several of the economic development-oriented programs described in the state summaries in the preceding chapter. It should be noted that the total reported is less than the $2.1 billion distributed because the shares received by the U.S. territories are not included.

Stripper Well Tables. Table 2 lays out the overall uses of *Stripper Well* funds in four broad categories--LIHEAP (the Low-Income Home Energy Assistance Program), WAP (DOE's Low-Income Weatherization Assistance Program), other uses targeted to low-income beneficiaries, and all other uses of these funds. This allocation summary covers all *Stripper Well* funds the states have received, from the first distributions in March, 1986 through April, 1990 when the state survey was completed.

The "other uses" classification includes all initiatives put into place to help the commercial, industrial and agricultural sectors. The majority of all economic development-related programs are financed through oil overcharge funds earmarked for this category. Table 3 provides a state-by-state snapshot view of these activities, many of which are outlined in the state sections of the guidebook.

The chart on the next page provides the state-by-state percentage share of oil overcharge funds for past--and future--oil overcharge distributions. These percentages can be used to determine how much a state will get from future settlements or cases.

State Shares of Oil Overcharge Funds
(in percent)

Alabama -- 1.5
Alaska -- 0.4
Arizona -- 1.0
Arkansas -- 1.3
California -- 9.2
Colorado -- 1.1
Connecticut -- 1.8
Delaware -- 0.5
District of Columbia -- 0.2
Florida -- 4.6
Georgia -- 2.2
Hawaii -- 0.7
Idaho -- 0.4
Illinois -- 4.6
Indiana -- 2.5
Iowa -- 1.3
Kansas -- 1.1
Kentucky -- 1.3
Louisiana -- 2.4
Maine -- 0.7
Maryland -- 1.8
Massachusetts -- 3.4
Michigan -- 3.4
Minnesota -- 1.7
Mississippi -- 1.4
Missouri -- 2.0
Montana -- 0.5
Nebraska -- 0.7
Nevada -- 0.4
New Hampshire -- 0.5
New Jersey -- 3.7
New Mexico -- 0.7
New York -- 7.7
North Carolina -- 2.2
North Dakota -- 0.4
Ohio -- 3.8
Oklahoma -- 1.2
Oregon -- 1.0
Pennsylvania -- 4.7
Rhode Island -- 0.4
South Carolina -- 1.2
South Dakota -- 0.4
Tennessee -- 1.6
Texas -- 7.4
Utah -- 0.6
Vermont -- 0.2
Virginia -- 2.6
Washington -- 1.5
West Virginia -- 0.6
Wisconsin -- 1.8
Wyoming -- 0.4

Table 1
Exxon Allocations as of April 1990
(in millions of dollars)

State	Total Received	Reported Amount Allocated[1]	LIHEAP	WAP	SECP	EES	SECP/EES	ICP	Other Uses
New England									
Connecticut	34.90	42.26	34.87	--	3.39	3.00	--	1.00	--
Maine	15.09	16.50	0.20	7.60	6.44	1.00	--	1.26	--
Massachusetts	70.34	78.50	15.00	43.00	20.50	--	--	--	--
New Hampshire	9.80	11.43	0.35	1.57	5.16	3.85	--	0.50	--
Rhode Island	8.00	9.54	0.85	1.34	4.55	0.82	--	1.98	--
Vermont	5.00	5.72	0.36	3.06	2.30	--	--	--	--
Total	143.13	163.95	51.63	56.57	42.34	8.67	0.00	4.74	0.00
Mid-Atlantic									
Delaware	9.94	9.29	0.20	3.00	0.21	0.05	--	5.83	--
Maryland	36.41	43.02	5.40	31.90	1.76	0.96	--	3.00	--
New Jersey	75.43	67.50	43.50	--	4.00	--	--	20.00	--
New York	159.87	203.23	21.50	45.50	77.34	18.55	--	40.30	--
Pennsylvania	96.80	108.00	66.10	31.30	--	--	8.60	2.00	--
Total	378.45	431.04	136.70	111.70	83.31	19.56	8.60	71.13	0.00
Midwest									
Illinois	96.10	115.00	40.00	62.55	12.45	--	--	--	--
Indiana	51.63	54.08	20.90	13.70	8.81	10.27	--	0.40	--
Iowa	27.42	23.60	--	7.60	10.00	6.00	--	--	--
Michigan	70.99	81.55	47.60	13.00	20.95	--	--	--	--
Minnesota	36.07	36.45	5.50	5.50	21.95	--	3.50	--	--
Ohio	79.74	98.50	14.60	67.50	--	--	9.90	6.50	--
Wisconsin	36.97	26.98	2.48	24.50	--	--	--	--	--
Total	398.92	436.16	131.08	194.35	74.16	16.27	13.40	6.90	0.00
South									
Alabama	32.19	36.78	5.51	6.19	6.44	3.97	--	13.81	0.85
Arkansas	25.95	29.31	4.80	2.56	2.01	--	--	20.00	--
District of Columbia	4.60	4.67	2.07	0.90	1.00	0.30	--	0.40	--
Florida	98.11	89.63	--	0.25	23.60	4.10	--	61.70	--
Georgia	46.62	54.84	21.00	13.94	1.50	2.40	--	16.00	--
Kentucky	27.44	11.57	6.97	4.60	--	--	--	--	--
Louisiana	51.54	54.43	--	11.54	7.49	5.41	--	30.00	--
Mississippi	28.38	32.15	2.41	7.70	10.15	0.87	--	11.02	--
North Carolina	47.03	38.44	9.64	10.60	--	--	10.70	7.50	--
Oklahoma	26.23	31.83	7.04	6.49	9.15	2.05	3.10	4.00	--
South Carolina	25.19	30.51	7.50	8.60	4.50	4.40	--	4.30	--
Tennessee	34.60	35.50	3.50	18.00	4.00	--	--	10.00	--
Texas	157.19	192.55	16.05	10.75	142.74	11.01	--	12.00	--
Virginia	53.38	57.16	22.69	22.50	7.04	0.83	--	4.10	--
West Virginia	12.90	15.45	7.15	4.54	2.88	0.27	--	0.60	--
Total	671.35	714.82	116.33	129.08	222.50	35.61	13.80	195.43	0.85
West									
Alaska	8.27	8.70	--	6.29	--	--	1.49	0.90	--
Arizona	21.56	18.26	2.70	4.18	8.95	0.25	--	1.50	0.68
California	194.72	221.84	66.36	--	63.33	--	79.80	5.29	7.06
Colorado	22.71	25.35	--	4.71	--	--	20.63	--	--
Hawaii	14.48	14.50	--	4.00	4.62	1.63	--	4.25	--
Idaho	8.69	8.95	--	3.28	3.87	--	--	1.80	--
Kansas	23.96	24.57	14.92	1.29	3.38	0.15	--	4.83	--
Missouri	41.52	49.81	5.94	17.14	13.44	0.55	--	11.97	0.77
Montana	9.58	10.55	--	4.87	2.90	0.23	--	0.90	1.65
Nebraska	15.50	20.15	--	3.68	13.23	1.72	--	--	1.52
Nevada	8.77	13.15	6.63	3.71	0.63	1.64	0.27	0.22	--
New Mexico	13.69	16.58	3.09	6.95	3.43	0.89	--	2.22	--
North Dakota	7.72	9.37	3.30	1.07	1.50	0.13	--	3.37	--

Table 1
***Exxon* Allocations as of April 1990** (continued)
(in millions of dollars)

State	Total Received	Reported Amount Allocated[1]	LIHEAP	WAP	SECP	EES	SECP/EES	ICP	Other Uses
West (continued)									
Oregon	20.72	23.87	3.18	13.61	5.33	0.03	--	--	1.70
South Dakota	7.50	9.17	1.56	--	6.14	0.41	--	1.00	0.06
Utah	12.45	15.45	--	7.00	5.50	0.60	--	2.35	--
Washington	32.12	38.01	1.40	16.13	13.21	0.82	0.09	6.30	--
Wyoming	8.87	10.25	--	3.25	5.00	--	--	2.00	--
Total	472.83	538.53	109.08	101.16	154.46	9.05	102.28	48.90	13.44
Northeast	521.58	594.99	188.33	168.27	125.65	28.23	8.60	75.87	0.00
Midwest	398.92	436.16	131.08	194.35	74.16	16.27	13.40	6.90	0.00
Northeast and Midwest	920.50	1,031.15	319.41	362.62	199.81	44.50	22.00	82.77	0.00
South	671.35	714.82	116.33	129.08	222.50	35.61	13.80	195.43	0.85
West	472.83	538.53	109.08	101.16	154.46	9.05	102.28	48.90	13.44
West and South	1,144.18	1,253.35	225.41	230.24	376.96	44.66	116.08	244.33	14.29
U.S. Total[2]	2,064.68	2,284.50	544.82	592.86	576.77	89.16	138.08	327.10	14.29

[1]Includes accrued interest distributions.
[2]Shares received by U.S. territories not included.

SOURCE: Data provided by Economic Regulatory Administration, Washington, D.C., 1990.

Table 2
Stripper Well Allocations as of April 1990
(in millions of dollars)

State	Total Received 3/86-4/90	Reported Amount Allocated[1]	LIHEAP	WAP	Other Exclusively Low-Income	Other Programs
New England						
Connecticut	21.02	24.06	4.20	--	6.73	13.12
Maine	9.10	7.83	1.60	--	1.07	5.16
Massachusetts	42.36	35.00	6.20	--	10.00	16.80
New Hampshire	5.77	4.45	--	0.98	0.44	3.03
Rhode Island	4.91	4.47	3.50	0.14	--	0.83
Vermont	2.96	3.46	--	--	3.05	0.41
Total	86.12	79.27	15.50	1.12	21.29	39.35
Mid-Atlantic						
Delaware	5.87	5.58	--	1.39	--	4.18
Maryland	22.16	23.70	11.02	4.49	0.67	7.49
New Jersey	45.68	38.00	--	--	--	38.00
New York	95.83	110.17	--	15.90	7.62	86.65
Pennsylvania	57.62	60.50	34.00	10.91	0.10	15.49
Total	227.16	237.95	45.02	32.69	8.39	151.81
Midwest						
Illinois	56.84	50.54	11.50	--	--	39.04
Indiana	30.48	22.64	2.28	--	3.16	17.20
Iowa	16.12	15.40	--	--	0.35	15.05
Michigan	42.17	45.30	17.60	6.60	--	21.10
Minnesota	21.47	23.38	--	8.30	--	15.08
Ohio	46.50	48.30	3.40	2.10	22.10	20.70
Wisconsin	21.77	22.89	--	--	3.17	19.72
Total	235.35	228.45	34.78	17.00	28.78	147.89
South						
Alabama	18.99	17.82	2.27	--	--	15.55
Arkansas	15.75	14.25	2.08	2.92	--	9.25
District of Columbia	2.96	2.68	0.06	--	0.80	1.82
Florida	57.18	41.45	--	20.25	--	21.20
Georgia	27.56	28.88	4.71	--	4.53	15.48
Kentucky	15.86	4.78	3.18	--	0.58	1.00
Louisiana	29.44	28.31	--	--	5.78	22.53
Mississippi	16.90	12.32	1.07	0.03	--	10.11
North Carolina	27.78	26.97	--	--	20.60	6.37
Oklahoma	15.28	16.55	0.60	0.52	3.65	11.77
South Carolina	14.75	10.60	--	1.00	1.00	8.60
Tennessee	20.02	19.50	2.00	--	2.00	15.50
Texas	91.30	117.93	7.00	--	20.05	90.88
Virginia	31.76	29.18	--	--	20.87	8.31
West Virginia	7.40	5.94	--	--	0.25	5.69
Total	392.93	377.16	22.97	24.72	80.11	244.06

Table 2
***Stripper Well* Allocations as of April 1990** (continued)
(in millions of dollars)

State	Total Received 3/86-4/90	Reported Amount Allocated[1]	LIHEAP	DOE WAP	Other Exclusively Low-Income	Other Programs
West						
Alaska	4.79	3.74	--	--	0.38	3.37
Arizona	12.69	12.65	--	--	2.74	11.28
California	113.29	127.01	15.50	2.00	--	119.26
Colorado	13.31	10.72	--	2.01	1.68	7.03
Hawaii	8.50	1.97	--	--	--	1.97
Idaho	5.08	5.08	--	0.31	0.16	4.61
Kansas	13.87	9.05	2.40	0.73	0.17	5.75
Missouri	24.43	25.42	--	5.51	--	15.48
Montana	5.60	6.88	--	0.90	1.15	4.83
Nebraska	9.13	9.07	--	1.52	--	7.55
Nevada	5.01	6.38	1.05	0.40	0.18	4.75
New Mexico	8.11	10.00	--	0.10	0.84	9.06
North Dakota	4.54	4.65	0.95	--	--	3.70
Oregon	12.27	14.83	--	2.23	2.83	9.77
South Dakota	4.42	4.05	--	--	0.12	3.93
Utah	7.30	5.78	--	--	0.05	5.73
Washington	18.90	16.55	1.03	1.80	1.58	12.14
Wyoming	5.05	4.12	1.10	--	0.26	2.76
Total	276.29	277.95	22.03	17.51	12.14	232.97
Northeast	313.28	317.22	60.52	33.81	29.68	191.16
Midwest	235.35	228.45	34.78	17.00	28.78	147.89
Northeast and Midwest	548.63	545.67	95.30	50.81	58.46	339.05
South	392.93	377.16	22.97	24.72	80.11	244.06
West	276.29	277.95	22.03	17.51	12.14	232.97
West and South	669.22	655.11	45.00	42.23	92.25	477.03
U.S. Total[2]	1,217.85	1,200.78	140.30	93.04	150.71	816.08

[1]Includes accrued interest distributions.
[2]Shares received by U.S. territories not included.

SOURCE: Data provided by Economic Regulatory Administration, Washington, D.C., 1990.

Table 3
"Other Program" Uses of *Stripper Well* Allocations as of April 1990
(in millions of dollars)

State	Total Received ~~3/31/89~~	Reported Amount Allocated	Other Programs	Usage Code
New England				
Connecticut	21.02	24.06	13.12	abcdefhijklmopr
Maine	9.10	7.83	5.16	cdefjklmpru
Massachusetts	42.36	35.00	16.80	cdu
New Hampshire	5.77	4.45	3.03	jrt
Rhode Island	4.91	4.47	0.83	acdjklpqtr
Vermont	2.96	3.46	0.41	bcs
Total	86.12	79.27	39.35	
Mid-Atlantic				
Delaware	5.87	5.58	4.18	j
Maryland	22.16	23.70	7.49	cdejklpr
New Jersey	45.68	38.00	38.00	dp
New York	95.83	110.17	86.65	acdfghimpqr
Pennsylvania	57.62	60.50	15.49	cdefghjklmprs
Total	227.16	237.95	151.81	
Midwest				
Illinois	56.84	50.54	39.04	dfhmpu
Indiana	30.48	22.64	17.20	ahkrs
Iowa	16.12	15.40	15.05	acfhjqr
Michigan	42.17	45.30	21.10	ehikru
Minnesota	21.47	23.38	15.08	fghir
Ohio	46.50	48.30	20.70	acur
Wisconsin	21.77	22.89	19.72	abcdfhjmnpqrs
Total	235.35	228.45	147.89	
South				
Alabama	18.99	17.82	15.55	agjklqr
Arkansas	15.75	14.25	9.25	aeghrs
District of Columbia	2.96	2.68	1.82	dfklru
Florida	57.18	41.45	21.20	bq
Georgia	27.56	28.88	15.48	acdfghjlmporu
Kentucky	15.86	4.78	1.00	m
Louisiana	29.44	28.31	22.53	afru
Mississippi	16.90	12.32	10.11	afhijmpru
North Carolina	27.78	26.97	6.37	afjp
Oklahoma	15.28	16.55	11.77	aefginopu
South Carolina	14.75	10.60	8.60	dhjklp
Tennessee	20.02	19.50	15.50	jkpr
Texas	91.30	117.93	90.88	aijmnru
Virginia	31.76	29.18	8.31	agj
West Virginia	7.40	5.94	5.69	adfhkm
Total	392.93	377.16	244.06	
West				
Alaska	4.79	3.74	3.37	cdkp
Arizona	12.69	12.65	11.28	degntr
California	113.29	127.01	119.26	am
Colorado	13.31	10.72	7.03	adegjkpqrsu
Hawaii	8.50	1.97	1.97	dfgr
Idaho	5.08	5.08	4.61	abdfhjmpr
Kansas	13.87	9.05	5.75	ahklm
Missouri	24.43	25.42	15.48	ijmr
Montana	5.60	6.88	4.83	dhjkr
Nebraska	9.13	9.07	7.55	r
Nevada	5.01	6.38	4.75	aelnr
New Mexico	8.11	10.00	9.06	jmnrst
North Dakota	4.54	4.65	3.70	bjkmpr
Oregon	12.27	14.83	9.77	adfgjlmprtu
South Dakota	4.42	4.05	3.93	aeghjr
Utah	7.30	5.78	5.73	bfghjru
Washington	18.90	16.55	12.14	abcdhjnpu
Wyoming	5.05	4.12	2.76	adfhklnpru
Total	276.29	277.95	232.97	
Northeast	313.28	317.22	191.16	
Midwest	235.35	228.45	147.89	
Northeast and Midwest	548.63	545.67	339.05	
South	392.93	377.16	244.06	
West	276.29	277.95	232.97	
West and South	669.22	655.11	477.03	
U.S. Total	1,217.85	1,200.78	816.08	

Code	Translation
a	bridge and road repair and other transportation projects (van pools, public transit uses, etc.)
b	traffic signal synchronization
c	energy-conservation projects for nonprofits
d	residential energy-conservation uses
e	projects for older persons
f	demonstration projects
g	alternate fuel projects (includes solar projects)
h	agricultural-sector projects
i	university-sector projects
j	state/local government energy-conservation program
k	SECP (State Energy Conservation Program)
l	EES (Energy Extension Service)
m	Schools and Hospitals Weatherization (through ICP or otherwise)
n	Native American uses
o	energy-conservation projects for shelters amount shown in "Other Low Income"
p	commercial/industrial energy-conservation uses
q	solid waste related project
r	other uses (also includes administrative costs)
s	recycling projects (may also be shown as f or j)
t	technical assistance for a given sector
u	programs targeted, but not exclusively, for low-income uses and projects for low-to-moderate income persons

SOURCES: Economic Regulatory Administration, Washington, D.C., 1990; and National Consumer Law Center, Washington, D.C., 1990.

Expanding the Economic Development Impact of Utilities: New Energy-Efficiency Ideas, New Financing Tools

Red Lion Hotel Austin Airport
Austin, Texas
October 11, 1990

Agenda

I. Welcome and Introductions *(9:00-9:30 a.m.)*

- **Henry N. Troell**, Director, Austin Economic Development Administration Regional Office

II. Session Overview *(9:30-10:30 a.m.)*

- History and usage of oil-overcharge funds
  Diane De Vaul, Northeast-Midwest Institute
- Business and development impacts of energy efficiency
  Joseph Allen, Office of Technology Commercialization, U.S. Department of Commerce
- Utilities and economic development--setting the context
  Michael Tirpak, Northwestern Rural Electric Cooperative

III. First Panel: Innovative Electric Utility Economic Development Initiatives *(10:45 a.m.-12:00 noon)*

- **Charles Bartsch**, Northeast-Midwest Institute
- **Mike Davis**, Oklahoma Gas and Electric Company
- **Rosa Rios-Valdez**, Lower Colorado River Authority
- Questions and discussion

IV. Lunch *(12:00-1:00 p.m.)*

V. Second Panel: Effective and Innovative Oil-Overcharge Programs *(1:15-2:30 p.m.)*

- **Carson Culbreth**, North Carolina Department of Commerce
- **Brenda Lynn**, Oklahoma Department of Commerce
- **Clinton Berry**, Tennessee Department of Economic and Community Development
- **Charles Wood**, New Mexico Energy, Minerals, and Natural Resources Deparment

VI. Break-out Working Sessions *(2:30-3:30 p.m.)*

- Exploring common goals in crafting oil-overcahrge initiatives
- Creating effective energy-efficiency/economic development partnerships with utilities
- Barriers and opportunities to leveraging oil-overcharge resources

Expanding the Economic Development Impact of Utilities: New Energy-Efficiency Ideas, New Financing Tools

Days Inn Lake Shore Drive
Chicago, Illinois
October 24, 1990

Agenda

I. Welcome and Introductions *(9:00-9:30 a.m.)*

- **Edward Jeep**, Director, Chicago Regional Economic Development Administration

II. Session Overview *(9:30-10:30 a.m.)*

- History and usage of oil-overcharge funds
  Diane De Vaul, Director of Policy, Northeast-Midwest Institute
- Business and development impacts of energy efficiency
  Dr. Marc Ross, Professor, University of Chicago
- Utilities and economic development--setting the context
  Michael Tirpak, Manager, Northwestern Rural Electric Cooperative

III. First Panel: Innovative Electric Utility Economic Development Initiatives *(10:45 a.m.-12:00 noon)*

- **Charles Bartsch**, Senior Policy Analyst, Northeast-Midwest Institute
- **Daniel Gomez-Ibanez,** Director of Wholesale Services, Wisconsin Power & Light
- **Scott Martin,** Community Development Manager, United Power Association
- Questions and discussion

IV. Lunch *(12:00-1:00 p.m.)*

V. Second Panel: Effective and Innovative Oil-Overcharge Programs *(1:15-2:30 p.m.)*

- **Mark Enstrom**, Manager, Illinois Small Business Management Program
- **Gordon Wenk**, Michigan Department of Agriculture
- **Sally Martyniak**, Program Manager, Wisconsin Housing and Economic Development Authority
- **Sharon Fenno**, Director, New York Energy Financing Bureau

VI. Break-out Working Sessions *(2:30-3:30 p.m.)*

- Exploring common goals in crafting oil-overcharge initiatives
- Creating effective energy-efficiency/economic development partnerships with utilities
- Barriers and opportunities to leveraging oil-overcharge resources

Expanding the Economic Development Impact of Utilities: New Energy-Efficiency Ideas, New Financing Tools

Embassy Suites Hotel
Englewood, Colorado
November 14, 1990

Agenda

I. Welcome and Introductions *(9:00-9:30 a.m.)*

- **Robert Turner**, Chief, Planning and Technical Assistance Division, Economic Development Administration, Denver Regional Office

II. Session Overview *(9:30-10:30 a.m.)*

- History and usage of oil-overcharge funds
  Diane De Vaul, Director of Policy, Northeast-Midwest Institute
- Business and development impacts of energy efficiency
  John Paugh, Manager, Federal Technology Management Program
- Utilities and economic development--setting the context
  Michael Tirpak, Manager, Northwestern Rural Electric Cooperative

III. First Panel: Innovative Electric Utility Economic Development Initiatives *(10:45 a.m.-12:00 noon)*

- **Charles Bartsch**, Senior Policy Analyst, Northeast-Midwest Institute
- **Skip Arnold**, Manager, Economic Development, Public Service Company of Colorado
- **Wes Birdsall**, Manager, Osage Municipal Utilities
- Questions and discussion

IV. Lunch *(12:00-1:00 p.m.)*

V. Second Panel: Effective and Innovative Oil-Overcharge Programs *(1:15-2:30 p.m.)*

- **Ron R. Reed**, Commissioner of South Dakota Governor's Office Energy Policy
- **Tom Brotherton**, Acting Assistant Director, Colorado Office of Energy Conservation
- **Jay Brizie**, Policy Analyst, Colorado Office of Energy Conservation
- **Ed Maycumber**, Coordinator, Wyoming Department of Energy Programs
- **Philip Svanoe**, Energy Bureau Chief, Iowa Department of Natural Resources
- Questions and discussion

VI. Discussion Session *(2:30-3:30 p.m.)*

- Exploring common goals in crafting oil-overcharge initiatives
- Creating effective energy-efficiency/economic development partnerships with utilities

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